



*This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.*

## **REPORT BY THE BOARD OF DIRECTORS OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN CONNECTION WITH THE AMENDMENTS TO THE BOARD OF DIRECTORS' RULES AND REGULATIONS, THE AUDIT AND CONTROL COMMITTEE'S REGULATIONS AND THE APPOINTMENTS AND REMUNERATIONS COMMITTEE'S REGULATIONS, INCLUDED UNDER ITEM TWELVE OF THE AGENDA OF THE GENERAL SHAREHOLDERS MEETING TO BE HELD ON APRIL 21 OR 22, 2021 ON FIRST AND SECOND CALL, RESPECTIVELY**

### **1. INTRODUCTION**

The Board of Directors of Lar España Real Estate SOCIMI, S.A. (the "**Company**" or "**Lar España**") issues this report with the purpose of informing the General Shareholders Meeting about the amendments to (i) the Board of Directors' Rules and Regulations (the "**BoD Regulations**"); (ii) the Audit and Control Committee's Regulations (the "**CAC Regulations**"); and (iii) the Appointments and Remunerations Committee's Regulations (the "**CNR Regulations**").

These amendments were approved by the Board of Directors of the Company on December 15, 2020.

To assist with the comprehension of the amendments, a description of the purpose and justification of the amendments is hereby provided to the shareholders of the Company.

Finally, and with the purpose of simplifying the comparison between the new and the old text of the amended articles, a document highlighting the changes with respect to the previous version is attached to this report.

### **2. GENERAL JUSTIFICATION OF THE AMENDMENTS**

Article 3 of the BoD Regulations of the Company provides that the BoD Regulations must be updated whenever its content needs to be adapted to the applicable provisions that might be in force from time to time. Similarly, articles 2.2 of the CAC Regulations and of the CNR Regulations establish that the referred regulations shall be reviewed on a regular basis by the Board of Directors, taking into consideration the proposals of the Committees with regard to their own regulations.

Taking this into account, the Board of Directors approved several amendments to the BoD Regulations, the CAC Regulations and the CNR Regulations to incorporate certain improvements on corporate governance matters that derive from the latest update to the Good Governance Code of Listed Companies (the "**CBG**"), approved by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) on June 26, 2020.

The referred revision of the CBG updates and adapts several recommendations of the CBG to align them with certain provisions that have been approved since the publication of the CBG in 2015. The main areas of focus of the revision of the CBG are: (i) the promotion of gender diversity in the boards of directors; (ii) the greater relevance of non-financial information and sustainability; (iii) the greater focus on non-financial risks; and (iv) the clarification of certain aspects of the remuneration of directors.



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The following sections include a detailed description of the amendments that have been implemented to adapt the BoD Regulations, the CAC Regulations and the CNR Regulations to the revised version of the CBG.

### **3. STRUCTURE OF THE AMENDMENTS TO THE BOD REGULATIONS**

The amendments that have been implemented as a consequence of the revision of the CBG primarily affect the sections related to the corporate policies of the Company, the resignation and dismissal of directors, the composition of the Audit and Control Committee and the functions of the committees of the Board. These amendments modify, among others, articles 5.4, 5.5, 13.2, 14.1, 14.3, 15.4, 23.4, 30.1 and 36.3 of the BoD Regulations.

In addition to the amendments referred to in the previous paragraph, certain recommendations that were included in the CBG before the 2020 revision and that were already followed by the Company, although they were not formally reflected in the Company's regulations, were expressly incorporated in the BoD Regulations. Specifically, recommendations 12, 21, 34 and 35 of the CBG have been formally incorporated to BoD Regulations. Finally, other purely technical amendments have also been implemented, such as those related to articles 4.2, 5.2, 5.4, 17, 19.4, 28, 28 bis and 40.1 of the BoD Regulations.

A document highlighting the changes to the BoD Regulations is attached to this report as **Annex I.**

### **4. STRUCTURE OF THE AMENDMENTS TO THE CAC REGULATIONS**

The amendments that have been implemented as a consequence of the revision of the CBG primarily affect the sections related to the composition and the powers of the Audit and Control Committee. These amendments modify articles 3.1 and 5.1 of the CAC Regulations.

In addition to the amendments referred to in the previous paragraph, other purely technical amendments have also been implemented, such as those related to articles 7.2 and 9.1 of the CAC Regulations.

A document highlighting the changes to the CAC Regulations is attached to this report as **Annex II.**

### **5. STRUCTURE OF THE AMENDMENTS TO THE CNR REGULATIONS**

The amendments that have been implemented as a consequence of the revision of the CBG primarily affect the section related to the powers of the Appointments and Remunerations Committee and, in particular, article 5.1 of the CNR Regulations.

In addition to the amendment referred to in the previous paragraph, other purely technical amendments have also been implemented, such as those related to articles 7, 8 and 9 of the CNR Regulations.

A document highlighting the changes to the CNR Regulations is attached to this report as **Annex III.**

Madrid, March 18, 2021



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## **ANNEX I**

*This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.*

Regulations of the  
Board of Directors of  
**Lar España Real Estate SOCIMI,  
S.A.**

Madrid, 1~~2~~<sup>5</sup> December 20~~19~~<sup>20</sup>

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# REGULATIONS OF THE BOARD OF DIRECTORS OF LAR ESPAÑA REAL ESTATE SOCIMI, SOCIEDAD ANÓNIMA.

## TITLE I. - INTRODUCTION

### Article 1. Origin and purpose

1. These Regulations have been approved by the Board of Directors of Lar España Real Estate SOCIMI, S.A. (the “**Company**”), following reporting to the General Shareholders’ Meeting, pursuant to the provisions in article 516 of the consolidated text of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010 of 2 July (the “**Spanish Corporate Enterprises Act**”). These Regulations are intended to establish the principles for action for the Board of Directors, the basic rules of its organisation and functioning, [and rules of selection, appointment, re-election and dismissal](#) as well as the conduct rules for its members.
2. The conduct rules established in these Regulations for the Company directors will also apply to the Company’s senior management, to the extent that they are compatible with their specific nature and the activities performed. For purposes of these Regulations, "senior management" will be defined as those managers who directly report to the Board of Directors or the Chief Executive Officer (“**CEO**”), if any, and in any case to the person in charge of the Company’s internal auditing.

### Article 2. Interpretation

1. These Regulations complete the regulatory regime that applies to the Board of Directors established in the regulations in force and in Articles of Association of the Company. It will be interpreted pursuant to the applicable legal and statutory regulations and the principles and recommendations on the corporate governance of listed ~~companies Prestige, approved or issued by the Spanish authorities and the authorities of neighbouring countries in force at all times, or by special committees or working groups established by virtue of a mandate from those~~ [companies established by supervisory bodies or other authorities of renowned prestige assumed by the Company.](#)
2. The Board of Directors will be responsible for settling any doubt arisen by the application and interpretation of these Regulations in accordance with the general criteria for the interpretation of the legal provisions.

### Article 3. Amendment

1. These Regulations may be amended only at the request of the Chairman of the Board of Directors, by one third of the directors or the Audit and Control Committee, and in any case the proposal for amendment must be accompanied by an explanatory report, as

well as by a report prepared by the Audit and Control Committee, except when that proposal is issued by the aforementioned Committee.

2. The text of the proposal and the explanatory report of its authors must be attached to the call to the meeting of the Board that is to make a decision on it. The call to meeting must be made at least ten days in advance.

~~3. Any amendment to the Regulations will require, in order to be valid, approval by the majority of the attending directors, present or represented, in the meeting.~~

3. ~~4.~~ These Regulations must be updated whenever required to adapt their contents to the applicable provisions in force.

#### **Article 4. Disclosure obligations**

1. The directors and senior managers have the obligation to acknowledge, fulfil, and enforce these Regulations. To this end, the Secretary of the Board will provide them all with a copy of these Regulations when they accept their respective appointments or when their recruitment become effective, as applicable, and they will provide the Secretary with a signed declaration in which they state that they know and accept the contents of these Regulations, agreeing to fulfil any obligations that can be enforced by virtue thereof.
2. Notwithstanding the fulfilment of the obligations provided in the regulations applicable at any time, ~~the Board of Directors of the Company will take the appropriate measures for~~ the Regulations will be available in the Company's website in order to be duly disclosed amongst the shareholders and the investing public in general.

## **TITLE II. - FUNCTION OF THE BOARD**

#### **Article 5. Competences of the Board of Directors**

1. The Board of Directors is competent to adopt and pass resolutions on all sorts of matters that are not attributed to the General Shareholders' Meeting by the Articles of Association of the Company or the Law.
2. The Board of Directors' policy, which has the broadest powers and faculties to manage, lead, run and represent the Company, ~~as a general rule, will delegate~~ is to focus its activity, within the legal limits, on the general function of strategic coordination and the definition and supervision of the basic management guidelines of the Company and its Group, deciding on matters of strategic relevance at Group level, respecting the respective functional areas and responsibilities of each entities that from part of the Group and operating in interest of all of them, entrusting the direction and ordinary management of the Company ~~in the delegate bodies and in the management team, and will focus its activity on the general supervisory function and in the consideration of those matters of particular significance for~~ to the Chairman, to the CEO, if any, and senior management team, of the Company.



Furthermore, the Board of Directors, as the core of its mission, approves the Company strategy and the organization required for its implementation. Furthermore, the Board oversees and ensures that the senior management achieves the goals set and complies with the Company's goals and corporate interest.

3. Those powers that are reserved by law or by the Articles of Association to the direct decision of the Board of Directors or those required for responsible exercise of the general supervisory function by the Board of Directors may not be delegated.

4. Notwithstanding, if applicable, the legal power of delegation and empowerment for execution of the specific decisions adopted, the Board of Directors will directly exercise, at its own initiative or at the proposal of the relevant internal body, the following competences and powers:

a. The supervision of the effective operating Committees that it has constituted and the performance of the delegated bodies and the managers that it has designated.

b. To determinate the Company's general policies and strategies, and in particular:

i. the strategic or business plan, as well as the annual management goals and budget;

ii. the investment and financing policy;

iii. the definition of the structure of the Company's group;

iv. the governance policy of the Company an its Group.;

v. the corporate social responsibility policy and sustainability in environmental and social aspects;

vi. the risk control and management policy, including tax risks as well as the supervision of the internal reporting and control systems;

vii. the dividends policy ;

viii. ..Own shares policy.

ix. Tax strategy of the Company.

c. a-The filing of the annual statements, the management report, and the proposal for distribution of the Company's earnings, as well as the consolidated statements and management report for submission to the General Shareholders' Meeting.

d. b-The call to the General Shareholders' Meeting, as well as the ~~publication of notices pertaining to it.~~ preparation of the agenda and the agreement proposal.

e. e-The authorization or waiver of the obligations derived from the duty of loyalty, pursuant to the provisions in the applicable legislation, Articles of Association and these Regulation.

- f. The formulation of any kind of report required by law to the Board of Directors, provided that the operation to which the report refers cannot be delegated.
- g. ~~d.~~—The enforcement of the Company’s ~~treasury stockown shares policy~~ as authorized by the General Shareholders’ Meeting.
- h. ~~e.~~—The ~~formulation of the dividends policy and the submission of the relevant proposals to the General Shareholders’ Meeting on the distribution of earnings, as well as deciding on the~~approval of payment of interim dividends.
- i. ~~f.~~—The appointment of directors by means of co-option and the submission of proposals to the General Shareholders’ Meeting on the appointment, ratification ~~or~~and re-election of directors who are not independent, following a report from the Appointments and Remuneration Committee, or the removal of those directors.
- j. ~~g.~~—The approval of each director’s remuneration, following a proposal from the Appointments and Remuneration Committee, in accordance with the remunerations proposal approved by the General Shareholders’ Meeting.
- k. ~~h.~~—The appointment and removal of ~~CEOs~~CEO, if any, as well as the prior approval of the contracts to be entered by the Company and the directors, to whom executive functions are attributed, including those compensation items for which they could receive remuneration for the performance of those functions.
- l. ~~i.~~—The appointment and renewal of the internal positions in the Board of Directors and the members and internal positions in their committees.
- m. ~~j.~~ ~~At the proposal of the Company’s first executive director, the~~ The appointment and potential removal of senior managers, ~~as well as the approval of their severance packages.~~
- n. ~~k.~~—The approval of the remuneration policy as well as the basic terms of the contracts of the Company’s senior managers, on the basis of the proposal made by the ~~CEO, or, should there be no CEO, the Executive Committee~~Chairman of the Board of Directors or the CEO, if any, which will be submitted to the Board of Directors by the Appointments and Remuneration Committee.
- o. ~~l.~~—The supervision of the process of preparation and presentation of the financial information and of the management report, including, where appropriate, the required non-financial information, and the approval of any financial information that the Company, as a listed company, must make public on a regular basis.
- p. The formulation, if applicable, of the statement of non-financial information for its presentation to the General Shareholders’ Meeting.
- q. ~~m.~~—The approval of any investments, divestments or transactions of any kind in which, due to their high amount or special characteristics, have a strategic nature or especial tax risk, unless their approval correspond to the General Shareholders’ Meeting.
- r. ~~n.~~—The approval of the creation or acquisition of shares in special-purpose vehicles or entities established in countries or territories that are regarded as tax havens, as

well as any other transactions or operations of a similar nature that, due to their complexity, could damage ~~the group~~ Company and its Group's transparency.

- ~~s.~~ ~~e.~~—The approval, following a report by the Audit and Control Committee, of the ~~related party~~ related party transactions as they are defined by applicable legislation at any time, unless its approval corresponds to the General Shareholders' Meeting.
- ~~t.~~ ~~p.~~—The ruling on any takeover bid made on stock issued by the Company.
- ~~u.~~ ~~q.~~—~~The~~ Its organization and functioning and, in particular, the approval and amendment of these Regulations, following a report from the Audit and Control Committee
- ~~v.~~ ~~r.~~—Preparing the Company's Annual Governance Report and the sustainability report or annual report, as well as the ~~a~~ Annual ~~r~~ Report on the ~~directors' remuneration policy~~ Directors Remuneration.
- ~~w.~~ ~~s.~~—The annual evaluation of the quality and efficiency of the Board of Director's ~~functioning, the performance of their duties by the Chairman of the Board and the Company's first executive director, as well as the quality and efficiency of functioning of the committees, on the basis of the report issued by such committees~~ and its Committees, proposing, on the basis of its result, an action plan to correct the deficiencies detected, in the terms provided for in article 18 of these Regulation.
- ~~x.~~ The powers that the General Shareholders' Meeting has delegated to the Board of Directors, unless it has been expressly authorized by it to sub-delegate them.
- ~~y.~~ ~~t.~~—Any other matter on which decision-making is reserved by the Regulations of the Board of Directors to the Board in a plenary meeting.

- ~~ii.~~—~~The Board of Directors, as the core of its mission, approves the Company strategy and the organization required for its implementation. Furthermore, the Board oversees and ensures that the senior management achieves the goals set and complies with the Company's goals and corporate interest. To this end, the plenary meeting of the Board of Directors reserves the competence to approve the Company's general policies and strategies, and in particular (i) the strategic or business plan, as well as the annual management goals and budget; (ii) the investment and financing policy; (iii) the definition of the structure of the group of companies; (iv) the governance policy; (v) the corporate social responsibility policy; (vi) the risk control and management policy, as well as regular monitoring of the internal reporting and control systems;~~  
~~(vii) the dividends~~

~~and treasury stock policies and, in particular, their limits.~~

- 5. When there are urgent circumstances, duly justified, the decisions corresponding to the above matters may be adopted in the cases legally permitted by the bodies or persons

delegated, which must be ratified at the first Board of Directors meeting held after the decision is adopted.

6. ~~5.~~ The Board will approve a diversity policy ~~for~~of the Board of Directors and the selection of directors aimed at promoting an appropriate composition of the Board Directors that will be specific and verifiable and will ensure that the proposals for appointment or re-election are based on a prior analysis of the ~~needs of~~competences required by the Board of Directors and promote diversity of knowledge, experience, age and gender in accordance with the best corporate governance practices.

The result of the prior analysis of the ~~needs of~~competences required by the Board of Directors will be collated in ~~a supporting the~~ report or proposal by the Appointments and Remuneration Committee, which will be published when the General Shareholders' Meeting is called to which the ratification, appointment or re-election of each director is submitted.

#### **Article 6. Corporate interest**

1. The Board of Directors will perform its functions with a single purpose and independence, treating all shareholders in identical conditions equally and seeking the Company's interest, which is understood as ~~maximising~~the achievement of a profitable and sustainable business in the long term, which promotes its continuity and maximization of the Company's financial value ~~on a sustained basis. Likewise, the Board will also ensure that, in its relations with stakeholders, the Company complies the regulations in force, fulfil their obligations and contracts in good faith, respect customs and good practices in the sectors and territories in which it operates, and observes any additional social responsibility principles that were voluntarily accepted.~~

2. In the pursuit of the social interest, in addition to respect for laws and regulations and behaviour based on good faith, ethics and respect for commonly accepted customs and good practices, the Board of Directors shall endeavour to reconcile its own social interest not only with the best defense and protection of the interests of all the shareholders, from whom its mandate comes and to whom it is accountable, but also with, as appropriate, the legitimate interests of its employees, suppliers, customers and other stakeholders that may be affected, as well as the impact of the Company's activities on the community as a whole and on the environment.

### **TITLE III. - COMPOSITION OF THE BOARD OF DIRECTORS**

#### **Article 7. Quantitative composition**

1. The Board of Directors will be comprised a number that will not be fewer than five members or more than fifteen members, as established by the General Shareholders' Meeting.
2. The Board will propose to the General Shareholders' Meeting the number of members that, on the basis of the Company's changing circumstances and within the limits of the

Articles of Association, is most appropriate to ensure due representation and effective functioning of the Board.

#### **Article 8. Qualitative composition**

1. The Board of Directors, in the exercise of its power of proposal to the General Shareholders' Meeting and of covering vacancies by means of co-option, will ensure that, to the greatest possible extent, in the composition of the body, external or non-executive directors represent a majority with respect to executive directors, trying to ensure that the number of independent directors represents at least one third of the total members of the Board of Directors. Likewise, the number of executive directors will be the minimum required, taking into account the complexity of the corporate group and the executive directors' shares in the Company's capital.
2. The definitions of the different types of directors will be those established in the regulations in force, or in their absence, in the corporate governance recommendations applicable to the Company at any time. Without prejudice to the above, only those directors who have held the position for more than twelve years without interruption may be classified as independent.
3. The Board will ensure that, amongst external directors, the ratio between the number of proprietary directors and the number of independent directors reflects the existing ratio of the Company capital represented by the proprietary directors to the rest of the capital.
4. The Board will avoid any discrimination amongst shareholders in their access to the Board of Directors through proprietary directors.
5. The nature of each director will be explained by the Board to the General Shareholders' Meeting in which they are appointed or ratified, and will be confirmed or, if applicable, reviewed on a yearly basis in the annual corporate governance report, after being verified by the Appointments and Remuneration Committee. Should there be any external director who cannot be regarded as proprietary or independent, the Company will explain this circumstance and the directors' links either to the Company or its management or to its shareholders.
6. The Board of Directors will ensure that the procedures for the selection of its members promote diversity in aspects relating to training and professional experience, age, disability, and gender, and that they have no implicit biases that might lead to discrimination and, in particular, that they encourage the selection of women directors in a number that allows a balanced presence of women and men.

#### **TITLE IV.- STRUCTURE OF THE BOARD OF DIRECTORS**

##### **Article 9. The Chairman**

1. The Chairman of the Board of Directors will be elected from amongst its members pursuant to the provisions of the Articles of Association of the Company [and in these Regulations](#).

2. The Chairman of the Board of Directors, as the person in charge of effective functioning of the Board of Directors, will perform the following actions in addition to performing the functions that are attributed to him or her by law or by the Articles of Association:
  - a. preparing and submitting to the Board a schedule of dates and matters to discuss;
  - b. organising and coordinating the periodic evaluation of the Board, as well as, if applicable, that of the Company's first executive director;
  - c. being responsible for the management of the Board and its effective functioning;
  - d. ensuring that sufficient time is devoted to the discussion of strategic matters, and ~~deciding~~agree and ~~review~~ing the training programmes focused on updating knowledge and skills for each director, when circumstances so advise.

#### **Article 10. The Deputy Chairman**

The Board may ~~appoint~~one appoint, on a proposal from its Chairman, one or several Deputy Chairmen. The Deputy Chairman will replace the Chairman in the event of vacancy, absence, or illness, or when decided by the Chairman of the Board. Should there be several Deputy Chairmen, they will replace the Chairman in the order provided for such purpose by the Board of Directors.

#### **Article 11. The Secretary and Legal Advisor of the Board of Directors**

1. The Board of Directors will appoint, at the proposal of its Chairman, a Secretary, who may be appointed either from amongst the members of the Board or the non-directors who are fit to perform the functions proper to such position. If the Secretary of the Board of Directors is not a director, he or she will have the right to speak but not to vote.

In any case, to protect the independence, impartiality, and professionalism of the Secretary, his or her appointment and removal will be approved by the plenary meeting of the Board of Directors, following a report from the Appointments and Remuneration Committee.

2. The Secretary will assist the Chairman in his or her duties and will ensure the proper functioning of the Board, devoting special attention to providing directors with the necessary advice and information to carry out their duties with sufficient notice and in the appropriate format, preserve the corporate documents, will duly record meetings and their proper conducting in the minutes book, and will bear witness to the decisions of the body. Likewise, the Secretary of the Board of Directors will also record in the minutes of the meetings of the Board any concerns on the Company affairs not settled by the Board of Directors that were raised by directors, as well as any concerns raised by the Secretary or the directors with regard to any proposal, at the request of the party that raised the corresponding concern.

3. The Secretary will especially ensure that the actions of the Board of Directors (i) comply with the letter and spirit of the Law and its Regulations, including those approved by the regulatory bodies; (ii) comply with the Articles of Association and with the Regulations of the General Shareholders' Meeting, the Board of Directors, and the Internal Conduct Regulations in Stock Markets; and (iii) consider the recommendations on corporate governance ~~of~~applicable to the Company.

4. The Board of Directors may have a Legal Counsel to the Board of Directors who will perform the functions provided in the legislation in force. The Secretary or, if applicable, the Deputy Secretary, may hold the position of Legal Advisor to the Board of Directors when he or she is a lawyer and meets the other requirements established in the legislation in force.

#### **Article 12. The Deputy Secretary of the Board of Directors**

1. The Board of Directors may appoint, on a proposal from its Chairman, a Deputy Secretary, who will not have to be a director, in order to assist the Secretary of the Board of Directors or to replace the Secretary in the event of absence in the exercise of his or her duties, as well as in any other functions or internal positions held by the Secretary of the Board in that body, including any internal committees created in the Board of Directors.

In any case, for the purpose of protecting the independence, impartiality, and professionalism of the Deputy Secretary, his or her appointment and removal will be approved by the plenary meeting of the Board of Directors, following a report from the Appointments and Remuneration Committee.

2. Unless otherwise decided by the Board of Directors, the Deputy Secretary may attend the meetings of the Board, to assist the Secretary in the drafting of the minutes of the meeting.

#### **Article 13. Delegated and advisory bodies**

1. Notwithstanding any powers of attorney granted to any individual, the Board of Directors may create, on a permanent basis, an Executive Committee comprised a minimum of three and a maximum of seven members, and may also appoint a CEO at the proposal of the Chairman of the Board, and may delegate to them, totally or partially, on a temporary or on a permanent basis, all the powers that can be delegated under the Law. The delegation and appointment of the members of the Board of Directors to hold these positions will require the favourable vote of two thirds of the members of the Board of Directors, and will not come into effect until they are registered in the Commercial Registry.

2. The Company will ensure that, insofar as possible, ~~the participation structure of different categories of directors in the composition of~~in the Executive Committee ~~is similar to that of the Board of Directors~~will be at least two non-executive directors, being one of them independent. The position of Secretary of the Executive Committee will be held by the Secretary of the Board of Directors.

3. The Chairman of the Executive Committee will report to the Board of Directors on any matters discussed and the decisions adopted in its meetings, minutes of which will be recorded and a copy will be sent to all the members of the Board of Directors.
4. If the Chairman of the Board of Directors performs executive functions, the Board of Directors ~~will empower, with the abstention of the executive directors, must necessarily appoint~~ a lead independent director from amongst the independent directors, who will be specially authorised to:
  - a. Ask the Chairman of the Board of Directors to call a meeting of this body whenever he or she deems it appropriate.
  - b. Request the inclusion of matters on the agenda of the meetings of ~~the~~one Board of Directors, already convened.
  - c. Chair meetings of the Board in the absence of the Chairman and the Deputy Chairmen, if any.
  - d. Coordinate and ~~reflect the views of~~meet the external directors non-executive, echoing their concerns.
  - e. Lead the appraisal of the Chairman of the Board of Directors.
  - f. Contact investors and shareholders to find their views in order to form an opinion on their concerns, in particular regarding the company's corporate governance.
  - g. Coordinate the Chairman's succession plan.
5. In addition, an Audit and Control Committee and an Appointments and Remuneration Committee with the power of information, oversight, advice, and proposal in those matters that fall under its competence will be created as provided in Sections 14 and 15 of these Regulations and, where appropriate, in their own Regulations.
6. Likewise, the Board may create other committees with advisory or consulting functions, ~~without prejudice to their being attributed powers of decision on an exceptional basis~~. The Chairman, the Secretary, and the other members of those committees will be appointed by the Board of Directors ~~by simple majority~~.

#### **Article 14. Audit and Control Committee. Composition, competences, and functioning**

1. The Board of Directors will create, on a permanent basis, an Audit and Control Committee, comprised a minimum of three and a maximum of five directors, appointed by the Board of Directors itself from amongst the external or non-executive directors, the majority of which must be independent directors. The members of the Audit and Control Committee as a whole, and in particular its Chairman, will be appointed taking into account their knowledge and experience in accounting, auditing, and risk management, both financial and non-financial. Likewise, the Board will endeavour that they have knowledge of and experience in other fields that might be appropriate for the Audit and Control Committee to fulfil its functions ~~as a whole~~, such as finance, internal control, and information technologies.



Likewise, and without prejudice to the promotion of diversity of gender and geographic origin, the Committee members, who will be appointed taking into account the necessary dedication to carry out the functions entrusted thereto, will have, as a whole, the relevant technical knowledge necessary with regard to the Company's business sector.

2. The Board of Directors will appoint the Chairman of the Committee from amongst the independent directors that form part thereof. The position of Secretary and Deputy Secretary of the Audit and Control Committee will be held by the Secretary of the Board of Directors, and, if applicable, by the Deputy Secretary of the Board.

The members of the Audit and Control Committee will hold their positions for a maximum term of three years, and may be re-elected one or several times by periods of equal maximum duration.

The position of Chairman will also be held for a maximum term of three years, at the end of which the Chairman may not be re-elected as such until one year has elapsed after his or her removal, notwithstanding his or her continuity or re-election as a Committee member.

3. Without prejudice to any other tasks that may be assigned at any time by the Board of Directors, the Audit and Control Committee will exercise the following basic functions:

- a. With regard to the supervision of financial and non-financial information:

- i. Report to the General Shareholders' Meeting on any matters raised by the shareholders regarding its competence and, in particular, on the results of the audit, explaining how it contributed to the integrity of the financial information and the function discharged by the Committee in this process.
- ii. Oversee the process of preparing and submitting the required financial information and submit recommendations or proposals to the ~~managing body~~ Board of Directors aimed at safeguarding its integrity.
- iii. Oversee that the annual accounts the Board of Directors ~~endeavours to present the financial statements~~ presents to the General Shareholders' Meeting ~~without reservations or qualifications in the auditors' report. Should such reservations or qualifications exist, both~~ are drawn up in accordance to accounting legislation. However, in those cases where the auditors includes any qualification in its report, the Chairman of the Audit and Control ~~Committee and the auditors should clearly explain to the shareholders of the content and scope of such reservations or qualifications. Committee should~~ give a clear explanation at the General Shareholders' Meeting of their opinion regarding the content and scope. Likewise, a summary of that opinion will be available to the shareholders at the time of the publication of the notice of the General Shareholders' Meeting.
- iv. Give the Board of Directors prior notice of any financial information and the management report, including, where appropriate, the required non-financial information that the Company, ~~as a listed company,~~ is obliged to publish periodically. The Audit and Control Committee must ensure that the half-yearly financial reports and the interim management reports are drawn up in accordance with the same accounting policies as the annual financial

statements and, to this end, it may ask the external auditor to conduct a limited review of the half-yearly financial reports.

b. With regard to the supervision of internal control and reporting systems:

- i. Oversee and evaluate the preparation and the integrity of the financial and non-financial information prepared on the Company and, where appropriate, the Group, checking the fulfilment of legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- ii. Oversee on a regular basis the effectiveness of the internal control of the Company and its Group as well as the activities of the Company's internal audit function, discussing together with the auditors and any significant weaknesses in the internal control system detected in the audit, all without diminishing its independence. To that effect, and where applicable, the Committee will submit recommendations or proposals to the Board of Directors and the corresponding period for the follow-up thereof.
- iii. Ensure in general that the policies and systems established for internal control are effectively implemented in practice.
- iv. ~~iii.~~ Oversee the unit that assumes the internal audit function, which will oversee the proper functioning of the reporting and internal control systems and will report functionally to the Chairman of the Audit and Control Committee and, in particular: (a) monitor the independence and effectiveness of the internal audit function; (b) propose the selection, appointment, ~~re-election~~ and removal of the head of the internal audit department; (c) propose the department's budget; (d) approve its priorities and the annual internal audit work plans, ensuring that its activity focuses primarily ~~on~~in the main risks ~~to which the Company is exposed~~(including reputational ones); (e) receive regular reports on its activities; (f) and verify that senior management take into account the findings and recommendations of its reports.

The head of the internal audit department should present an annual work plan to the Committee, will report on its implementation, including any possible incidents and scope limitations arising during its implementation ~~and~~as well as the results and monitoring of its recommendations and will submit an activities report at the end of each year.

- v. ~~iv.~~ Establish and monitor a mechanism whereby employees and ~~any third party can report in a confidential or, if appropriate, anonymous manner~~other persons related to the Company, such as directors, shareholders, suppliers, contractors and subcontractors can report any potentially significant irregularities within the Company, ~~particularly of a~~ or its Group, including financial and accounting ~~nature~~irregularities, or those of any other nature. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.

c. With regard to the external auditor:

- i. Submit to the Board the proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process, in accordance with that set forth in applicable legislation, as well as the contracting terms.
- ii. Receive regular information from the external auditor in relation to the auditing plan and the results of its implementation, and verify that senior management has borne in mind its recommendations.
- iii. Establish the proper relationships with auditors to receive information on any matters that may threatened their independence, for examination by the Audit and Control Committee, and any other matters related to the audit process and, where applicable, the authorisation of the services other than those prohibited, under the terms envisaged in applicable legislation, as well as other notices envisaged in audit legislation and other audit regulations.

In any event, the external auditor must send written confirmation on its independence with respect to the Company or entities directly or indirectly connected thereto on an annual basis, as well as detailed and individual information on any type of additional services provided and the related fees received from these entities by the external auditor or by persons or entities related to the auditor, pursuant to the applicable accounting legislation.

- iv. Issue an annual report, prior to the issue of the auditors' report, containing an opinion on whether the independence of the auditors or audit companies has been compromised, which will be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting. Such report will, in all cases, contain the reasoned evaluation the provision of each and every one of the additional services mentioned in the letter above, considered individually and as a whole, other than legal audit services, and in relation to the rules on independence or in accordance with the regulations governing audit activities.

- v. Preserve the independence of the external auditor in the performance of its duties and, for such purpose: (i) ensure that the Company notifies through the Spanish National Stock Market Commission of any change of auditor ~~as a Significant Event~~, accompanied by a statement of any possible disagreements arising with the outgoing auditor and, if any, of their content; (ii) ensure that the Company and the auditor adhere to current regulations on the provision of non-audit services and, in general, other requirements designated to safeguard auditors' independence; and (iii), in the event of auditor's resignation, examine the reasons thereto.

- vi. ~~v.~~ In the case of groups, the Committee should encourage the Group auditor to take on the auditing of all companies of the Group.

- vii. ~~vi.~~ Ensure that the remuneration of the external auditor does not compromise its quality or independence.

- viii. ~~vii.~~ Ensure that the external auditor has an annual meeting with the Board of Directors in plenary session to inform it of the work carried out and developments in the Company's risk and accounting positions.
- d. With regard to oversight of risk management and control:
- i. Oversee and evaluate the effectiveness of the risk ~~management systems and control management systems including financial and non-financial relative to the Company or, where appropriate, to the Group (including operating, technological, legal, social, environmental, political and reputational or those related to corruption)~~ and, in particular, review these systems in order for the main risks to be properly identified, managed and disclosed.
  - ii. Oversee the internal risk management and control function.
  - iii. In relation to the risk policy and risk management, identify or determinate at least (i) the different types of risk (operating, technological, financial, legal, reputational, including those related to corruption) to which the Company is exposed, including financial or economic risks of contingent liabilities and other off-balance sheet risks; (ii) ~~the risk levels~~ a risk control and management model based on different levels (iii) the level of risk that the Company deems acceptable; ~~(iiiiv)~~ the measures in place to mitigate the impact of the identified risks, should they occur; and ~~(ivv)~~ the internal reporting and control systems to be applied to control and manage the aforementioned risks, including contingent liabilities and off-balance risks.
- e. With regard to the obligations of listed companies:
- i. Report to the Board of Directors, prior to the Board passing the related resolutions on the following:
    - a. ~~i.~~ The incorporation or acquisition of ownership interests in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
    - ~~i.~~ ~~Related transactions, as they are defined by the legislation applicable at any given time.~~
    - b. The economic terms, the accounting impact and, where applicable, the impact on the exchange ratio, of the structural changes and corporate transactions that the Company plans to carry out.
    - c. Any amendment to the internal code of conduct.
  - ii. ~~With regard to, Inform about~~ related transactions, ~~the to be approved by the General Shareholders' Meeting or the Board of Director.~~

The annual report issued, where applicable, by the Audit and Control Committee on related transactions will be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting.

~~a. The economic terms, the accounting impact and, where applicable, the impact on the exchange ratio, of the structural changes and corporate transactions that the Company plans to carry out.~~

~~b. Any amendment to the internal code of conduct.~~

f. With regard to the supervising compliance with the policies and rules of the Company's corporate governance obligations, and the internal rules of conduct:

i. Monitor compliance with legal requirements and the Company's internal governance regulations, ~~including and the~~ internal codes of conduct, ensuring that the corporate culture is aligned with its purpose and values.

ii. Regularly review the Company's internal governance regulations and propose to the Board of Directors, for approval or submission at the General Shareholders' Meeting, as the case may be, any amendments and updates that contribute to its development and ongoing improvement.

iii. Promote the Company's corporate governance strategy, as well as regularly evaluate ~~the effectiveness of and review~~ the Company's corporate governance system, in order to confirm that it is fulfilling its mission to promote the corporate interest and consider, as appropriate, the legitimate interests of remaining stakeholders.

iv. Oversee the general policy relative to the communication ~~strategy and of economic-financial, non-financial and corporate information, as well as the communication with~~ shareholders and investors' ~~relations, including, proxy advisors and other interest groups.~~ Likewise, will be followed the way the Company communicates and relates with small- and medium-sized shareholders.

~~v. Assess all aspects related to non financial risks of the Company (including operating, technological, legal, social, environmental, political and reputational risks).~~ ~~vi. Coordinate non financial information and diversity reporting processes in accordance with applicable legislation and international benchmarks.~~

v. ~~vii.~~ Be apprised of, promote, guide and oversee the Company's performance regarding corporate reputation and report thereon to the Board of Directors or, where applicable, to the Executive Committee.

~~Report on the matters of Title IX of the Board of Directors Regulations, under the terms envisaged therein.~~

vi. ~~viii.~~ Report on, prior to its approval, the Company's annual governance report, obtaining for such purposes the reports from the Appointments and Remuneration Committee in relation to these sections of such report that are within their competence.

g. Other functions of the Committee:

- i. Oversee the calculation of fees received by the Management Company in the performance of its functions. ~~ii.~~
  - ii. Appoint and supervise the services of external appraisers in relation to the appraisal of the Company's assets.
4. The Audit and Control Committee will meet, ordinarily, on a quarterly basis, for the purpose of reviewing the regular financial information to be sent to the supervisory authorities, as well as the information that the Board of Directors has to approve and include in its annual public documentation. Likewise, the Committee will meet at the request of any of its members and whenever called by its Chairman, who must do so whenever the Board or its Chairman request a report or the adoption of proposals and, in any event, whenever appropriate for the proper performance of its functions.
5. The Audit and Control Committee will be validly held when a majority of its members are present or represented, and its resolutions will be approved by absolute majority of the votes of the members present or represented in the meeting. In the event of a tie, the Chairman of the Audit and Control Committee will have the deciding vote.
6. The Committee will produce minutes of its meetings, a copy of which will be sent to all members of the Board of Directors.
7. The Audit and Control Committee will establish annually an action plan that includes the Committee's main activities during the year in relation to the fulfilment of its functions.
8. The Audit and Control Committee will produce an annual report on its operations, which will be the basis for the evaluation by the Board of Directors, highlighting the main events that have occurred, if any, related to its functions. In addition, when the Audit and Control Committee considers it appropriate, it will include in this report proposals to improve the Company's rules of corporate governance. The Audit and Control Committee report will be available to shareholders and investors through the corporate web page with sufficient notice prior to the Ordinary General Shareholders' Meeting.
9. The Audit and Control Committee may call on any of the members of the Company's management or staff, and may order them to appear without the presence of any other manager. Those invited will be required to attend sessions of the Audit and Control Committee, to collaborate with it, and provide it with the respective information. The Committee may equally request assistance in its sessions from accounts auditors or other persons by invitation of the Chairman of the Committee.
10. For the best performance of its functions, the Audit and Control Committee will have sufficient resources and may call on the advice of external experts when it deems it necessary for proper compliance with its functions.

**Article 15. Appointments and Remuneration Committee. Composition, competences and operation**

1. The Board of Directors will create, on a permanent basis, an Appointments and Remuneration Committee, an internal informative and consultative body, with no

executive functions, with faculties of information, advice and proposal within the scope of action provided in Section 4 of this article. The Appointments and Remuneration Committee will be comprised a minimum of three and a maximum of five members, appointed by the own Board of Directors, amongst the non-executive directors, at the proposal of the Chairman of the Board. A majority of the members of the Appointments and Remuneration Committee will be independent directors. Likewise, the Board of Directors will appoint the Committee's Chairman from amongst the independent members that form part of such Committee. The role of Secretary and the Deputy Secretary of the Appointments and Remuneration Committee will be performed by the Secretary of the Board of Directors and, where applicable, by the Deputy Secretary of the Board.

2. The members of the Appointments and Remuneration Committee will have the appropriate knowledge, aptitudes and experience for the functions they are called on to perform, without prejudice to also seeking to promote diversity, taking into account the principle of proportionality, in relation to gender, professional experience, skills, personal abilities, sectoral knowledge or international experience.
3. The members of the Appointments and Remuneration Committee will hold their positions while their appointment as directors of the Company remains valid, unless the Board of Directors decides otherwise.
4. Notwithstanding the other functions that it may be assigned by the Board of Directors, the Appointments and Remuneration Committee will have the following basic responsibilities:
  - a. Competences with regard to the composition of the Board of Directors and its committees
    - i. Advise and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, in particular, evaluate the necessary competences, knowledge and experience in the Board of Directors. To this end, the Board will define the necessary functions and skills of candidates who will cover each vacancy and will evaluate the time and dedication needed for to properly perform their duties, ensuring that non-executive directors have sufficient time available for the proper performance of their duties. ~~iii. ——— proposing to the Board of Directors the policy of diversity of directors based, among others, on the criteria of age, disability, training, professional experience and gender.~~
    - ii. Shall ensure that in the promotion of new vacancies or the nomination of new directors, the selection procedures do not include implicit processes that might imply any discrimination and, in particular, that might impede the selection of women. In particular, will be established a representation goal for the less represented sex on the Board of Directors and will be provided guidelines on how to achieve such goal.
    - iii. Propose to the Board of Directors the policy of diversity of the Board of Directors and selection of directors. Likewise, will be drawn up the report referred to in article 5.6 of these Regulations and will be verified, annually.



compliance with the policy of diversity Board of Directors and selection of directors reporting on this in the Annual Corporate Governance Report.

- iv. Annually verify compliance with the criteria for promoting diversity in the composition of the Board of Directors established by the Company, which will be taken account of in the Annual Corporate Governance Report.
  - v. Advise the Board of Directors about the most appropriate configuration of the Board of Directors and of its committees, both in size and balance between the different classes of members at all times. To this end, the Committee will regularly review the structure of the Board of Directors and of its committees, particularly when vacancies occur in these bodies.
  - vi. Verify periodically the Directors' category.
  - vii. Inform of or draw up proposals with regard to nomination or removal of the members who should form part of each of the committees.
- b. Competences related to the selection of candidates to become board members and senior managers.
- i. Select the possible candidates to be, as applicable, nominated as board members of the Company and presenting its proposals or reports, as applicable, to the Board of Directors via its Chairman.
  - ii. Bring to the Board of Directors the nomination proposals (for its decision or for submission to the decision of the General Shareholders Meeting) for the nonexecutive members, and the re-election proposals for such directors by the General Shareholders Meeting as.
  - iii. Inform the Chairman of the Board of Directors of the nomination proposals (for approval or for submission for decision of the General Shareholders Meeting) of the remaining members, and the re-election proposals for such directors by the General Shareholders Meeting.

~~iv. — Draw up the report referred to in article 5.6 of these Regulations and verify, annually, compliance with the member selection policy, reporting on this in the Annual Corporate Governance Report.~~

~~5. — In particular, the Committee shall ensure that in the promotion of new vacancies or the nomination of new directors, the selection procedures do not include implicit processes that might imply any discrimination and, in particular, that might impede the selection of women. Establish a representation goal for the less represented sex on the Board of Directors and provide guidelines on how to achieve such goal;~~

- ~~iv.~~ iv. ~~v.~~ Inform of the proposals of the Chairman of the Board of Directors or of the Chief Executive Officer, if any, related to nomination or removal of senior managers.
- c. Competences related to and to the process for appointing internal positions of the Board of Directors.



- i. Inform of the proposals with regard to the appointment or removal of the Chairman of the Board of Directors.
  - ii. Advise of proposals of the Chairman of the Board of Directors regarding the appointment or removal of the CEO.
  - iii. Examine or organize the succession of the Chairman of the Board of Directors and of the senior executive of the Company, if any, and, as applicable, making proposals to the Board of Directors such that this succession occurs in an orderly and planned way.
  - iv. Advise of the proposals of the Chairman of the Board of Directors related to nomination or removal of the Deputy Chairman or Deputy Chairmen of the Board of Directors.
  - v. Bring to the Board of Directors the proposal of nomination of an independent coordinating director especially allowed in the event that the Chairman of the Board of Directors exercises executive functions, and inform of proposals for his/her removal.
  - vi. Advise of the proposals of the Chairman of the Board of Directors related to nomination or removal of the Secretary and, as applicable, of the Deputy Secretary or Deputy Secretaries of the Board of Directors, of the Secretary General and of the Legal Counsel.
- d. Competences related to the evaluation of board members
- i. Establish and oversee an annual programme of continuous evaluation and review of the qualification, education and, as applicable, independence, as well as maintenance of the terms needed to exercise the role of board member and committee member, and proposing to the Board of Directors those measures it considers appropriate in this regard.
  - ii. Conduct in coordination with the Chairman of the Board and with the support, where appropriate, of the coordinating director, the annual evaluation of its own functioning and that of its committees including the evaluation of the performance of the Chairman of the Board of Directors and of the Chief Executive Officer, if any, and submit to the board the results of its evaluation together with a draft action plan and recommendations to correct any deficiencies identified or to improve the functioning.
- e. Competences related to the withdrawal and termination of board members.
- i. Inform the Board of Directors about proposals for removal of non-independents directors in case of breach of the duties inherent in the role of member or where the circumstances of mandatory dismissal or termination have been incurred, in accordance with the law or the Company's internal regulations.
  - ii. Submit to the Board of Directors the proposals of removal of independent members in the event of non-compliance with the duties inherent to the office of director or for having incurred in any of the circumstances of

resignation or dismissal, in compliance with the law or the Company's internal standards.

- f. Competences related to remuneration of directors and senior managers.
- i. Propose to the Board of Directors the remuneration policy applicable to directors and senior managers.
  - ii. Regularly review the members reward policy and senior managers, including sharebased remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior managers in the company, ensuring its compliance and proposing modifications and updates to the Board of Directors.
  - iii. Propose to the Board of Directors the individual remuneration of non-executive directors, taking into consideration the functions and responsibilities attributed to each director.
  - iv. Propose the individual remuneration of the executive officers and the other basic terms of their contracts for approval by the Board of Directors, including any compensation that may be fixed for early termination in their functions and the amounts to be spent by the Company on insurance premiums or savings system contributions, always in compliance with the Company's internal standards and, in particular, in accordance with the remuneration policy approved by the General Shareholders Meeting.
  - v. Inform of and submit to Board of Directors the proposals of the Chairman of the Board of Directors or the Chief Executive Officer, if any, related to the senior managers' reward structure and the basic terms of their contracts, including any compensation that may be fixed for departure.
  - vi. Oversee observance of the Company's remuneration programmes and advising on the documents to be approved by the Board of Directors for general disclosure about remuneration information, including the annual report on members' remuneration and the corresponding part of the Company's corporate governance annual report, and verify the information on director and senior officers' pay contained in corporate documents.
  - vii. Inform, in advance and prior to approval by the competent company body, the remuneration established for the non-executive members of other companies in the group.
- g. Competences related to ~~corporate social responsibility and~~ sustainability in environmental and social aspects.
- i. ~~Be aware of, promote, guide and supervise~~ Supervise the Company's action in ~~matters of corporate social responsibility and sustainability~~ environmental and social matters are in accordance with the established strategy and policy, and report on them to the Board of Directors or, as applicable, to the Executive Committee.

ii. ~~Review the Company's corporate social responsibility policy, ensuring it is geared towards creating value, including the monitoring and evaluation of the same and supervising its degree of compliance. The report issued, as applicable, by the Appointments and Remuneration Committee about the Company's corporate social responsibility policy will be produced using any of the internationally accepted methodologies and will be provided to shareholders and investors via the web page of the Company with sufficient notice prior to the Ordinary General Meeting. Evaluate and review periodically the Company's sustainability in environmental and social areas policy, in order to fulfil its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders, and supervising its degree of compliance.~~

iii. Supervise and evaluate processes for different interest groups.

h. Report on the matters of Title IX of the Board of Directors Regulations, under the terms envisaged therein.

i. ~~h.~~ Ensure that any conflicts of interest do not prejudice the independence of the external consultancy supplied to the Committee in relation with the performance of its duties.

5. The Appointments and Remuneration Committee will meet, ordinarily, at least three times per year. Similarly, it will meet on request by any of its members and whenever called by its Chairman, who must do so whenever the Board or its Chairman request a report or the adoption of proposals and, in any event, whenever appropriate for the correct progress of its functions.
6. The Appointments and Remuneration Committee will be validly formed when a majority of its members are present or represented and its agreements are approved by an absolute majority vote of the members present or represented at the meeting. In the event of a tie, the Chairman of the Appointments and Remuneration Committee will have the deciding vote.
7. The Committee will produce minutes of its meetings, a copy of which will be sent to all members of the Board of Directors.
8. The Committee should establish an annual work programme, covering the main activities during the year.
9. The Appointments and Remuneration Committee will produce an annual report on its operations, highlighting the main events that have occurred, if any, related to its functions. The report of the Appointments and Remuneration Committee will be available to shareholders and investors via the web page with sufficient notice prior to the Ordinary General Meeting.
10. For best compliance with its functions, the Appointments and Remuneration Committee may call on the advice of external experts when it deems this necessary for suitable compliance with its functions.

## TITLE V.- OPERATING RULES OF THE BOARD

### Article 16. Meetings of the Board of Directors

1. The Board of Directors will meet as often as is appropriate to properly carry out its functions, and at least eight times per year and in the cases specified by the dates and matters schedule set at the beginning of the fiscal year. Any director may propose other, initially unforeseen items to be included in the agenda, provided such request is made at least three days prior to the scheduled date of the meeting.
2. Likewise, the Board of Directors will meet at the initiative of the Chairman as many times as deemed appropriate by the latter for the proper operation of the Company, and also when requested in accordance with the provisions of the preceding article [913.24.a](#)).
3. Meetings of the Board of Directors will be called by the Secretary of the Board of Directors, or whoever acts in such capacity, with the authorisation of the Board Chairman, by any means that allow [to proof the](#) receipt of the call. The call will be issued at least three days in advance thereof. The call will always include the meeting agenda and will be accompanied by relevant information that is duly prepared and summarised.
4. The Chairman of the Board of Directors may call extraordinary meetings of the Board whenever the circumstances so justify in his judgement, to which the advance notice and other requirements specified in the previous section will not apply. Notwithstanding the foregoing, it will be ensured that any documentation that must be provided to the directors will be delivered sufficiently in advance thereof.
5. Notwithstanding the foregoing, the Board of Directors will be deemed validly constituted without the need for a call if all the members present or represented unanimously accept the holding of the meeting and the items to be covered in the agenda. Further, voting by the Board of Directors may be conducted in writing and without a meeting, provided no director objects thereto.
6. The Board of Directors meeting may be held at various places connected [to each other](#) by systems enabling the recognition and identification of the attendees, the uninterrupted communication between the participants regardless of where they are located, and their participation and voting, all in real time.  
  
Meeting attendees will be deemed attendees of the same and only meeting for all purposes related to the Board of Directors, regardless of place of attendance. The meeting will be deemed held at the location with the highest number of directors, and in the event of a tie, at the location of the Chairman of the Board of Directors or in the absence thereof, of the presiding member.
7. The Chairman has the right to invite a representative of the Management Company to participate in the meetings held by the Board of Directors.
8. The Board will draw up an annual calendar of its ordinary meetings.

## **Article 17. Procedure of meetings**

1. The Board will be validly constituted when ~~half plus one of~~ majority of its members are in attendance at the meeting, whether present or represented by another director.
2. The directors will do everything possible to attend the meetings of the Board. In the event they cannot personally attend out of necessity, they will grant a written, special power of attorney for each meeting to another member of the Board, including the appropriate instructions, and inform the Chairman of the Board of Directors of this fact by any means which provides proof of receipt.
3. The Chairman will organise and stimulate debate by seeking and promoting the active participation of all directors during Board meetings, safeguarding their freedom of expression and of opinion.
4. Except in cases where the law or the Articles of Association specifically establish other voting quorums, resolutions will be adopted by ~~an absolute~~ majority of the directors attending the meeting -, a resolution shall be deemed adopted when it receives more than half of the votes in favour from the members present or represented at the meeting. In the event of a tie, the Chairman shall have the casting vote.
5. Minutes will be drawn up of the meetings of the Board of Directors, which will be signed by at least the Chairman and Secretary or Deputy Secretary, qualified electronic signatures or advanced electronic signatures may be used and transcribed or implemented, in accordance with legal regulations, in a special book of minutes of the Board of Directors.
6. The minutes will be approved by the Board of Directors itself at the conclusion of the meeting or in a subsequent meeting, the minutes may be partially approved at the end of the meeting if this proves necessary for any reason. Likewise, the proposed minutes may be sent by the Secretary or the Deputy Secretary for approval by means of remote communication that allow the recognition and identification of the Board Members.

## **Article 18. Annual evaluation**

1. The Board of Directors will conduct a comprehensive annual evaluation, and where appropriate on a proposal from the Appointments and Remuneration Committee, will adopt an action plan to correct deficiencies detected in respect of:
  - a. The quality and efficiency of the operation of the Board of Directors.
  - b. The operation and composition of its Committees.
  - c. The diversity in the composition and powers of the Board of Directors.
  - d. The performance of the Chairman of the Board of Directors and the chief executive officer of the company, as the case may be.
  - e. The performance and contributions of each director, paying special attention to the heads of the various Board Committees.

The results of the annual evaluation will be recorded in the meeting minutes or included as an annex thereto.

2. Evaluations of the various Committees will be based on the reports they submit to the Board of Directors, whereas an evaluation of the latter will be based on the report submitted by the Appointments and Remuneration Committee.
3. Every three years, in performing the evaluation the Board of Directors will be supported by an external consultant whose independence will be verified by the Appointments and Remuneration Committee.
4. The business relationships that the consultant or any company of its group maintain with the Company or any company of its group will be detailed in the annual corporate governance report.
5. The procedure and the departments evaluated will be described in the annual corporate governance report.
6. In the event that the Chairman of the Board of Directors exercises executive functions, the evaluation of this person will be directed by the independent director holding a special power of attorney in accordance with the provisions of article 13.4 above.

## **TITLE VI.- APPOINTMENT AND REMOVAL OF DIRECTORS**

### **Article 19. Appointment of directors**

1. Directors will be appointed by the General Meeting or by the Board of Directors in accordance with the provisions contained in the applicable regulations, the Articles of Association, and these Regulations.
2. Upon the appointment of a new director, he/she will follow a new director's orientation programme established by the Company, in order for him/her to quickly acquire sufficient knowledge of the Company, as well as its corporate governance rules.
3. To the extent applicable, the members of the Board of Directors will be subject to Law 53/1984 of 26 December, on the Incompatibilities of Personnel in the Service of Public Administrations, to Law 3/2015 of 30 March, regulator of the exercise of the high position of the General State Administration, and other regulations on incompatibilities.
4. The directors of the Company may sit on up to a maximum of four other boards of directors of listed companies [on official secondary markets](#) (apart from the Company) [in Spain or abroad](#).

### **Article 20. Appointment of outside directors**

The Board of Directors will ensure the election of candidates who are persons of recognised solvency, competence, and experience, and must exercise the utmost rigour in relation to those persons called to fill the positions of independent director.

**Article 21. Re-election of directors**

The Board of Directors, prior to proposing the re-election of directors to the General Shareholders' Meeting, will evaluate the quality of the work and dedication to office of the proposed directors in the course of the previous term, with the abstention of the affected persons.

**Article 22. Term of office**

1. Directors will hold office for a term of three years, at the end of which they may be reelected one or more times for periods of the same maximum duration.
2. The appointment of directors will expire following the lapse of the term and upon the holding of the subsequent General Shareholders' Meeting or lapse of the legal term for the holding of the General Shareholders' Meeting that must resolve upon the approval of the annual accounts for the preceding fiscal year.
3. Directors appointed by co-optation will hold their offices until the holding of the first General Shareholders' Meeting following their appointment, and must depart office in the event that the aforementioned General Shareholders' Meeting does not ratify their appointment. However, if the vacancy arises once the General Shareholders' Meeting has been called and before it is held, the Board of Directors may appoint a director until the next General Shareholders' Meeting is held.
4. Independent directors will not remain in their roles for a continuous period exceeding 12 years.

**Article 23. Termination of directors**

1. Directors will be terminated upon lapse of the period for which they were appointed and when the General Shareholders' Meeting so decides pursuant to its authority conferred by law or the Articles of Association.
2. Directors will place their position at the disposal of the Board of Directors and formalise their resignation in the following cases, provided the Board deems it appropriate:
  - a. When they are terminated from the executive positions associated with their appointment as director.
  - b. When they become involved in any case of incompatibility, or prohibition under the law or the Articles of Association.
  - c. When they are seriously reprimanded by the Board of Directors for having breached their obligations as directors.
  - d. When their remaining on the Board may jeopardise or damage the interests, credit, or reputation of the Company, or upon the ceasing of the reasons for which they were appointed (for example, when a proprietary director disposes

of his ownership interest in the Company or reduces it in a significant manner, as indicated in point f) below.

- e. When sitting on more than four boards of directors of other listed companies (apart from the Company).
- f. In the case of proprietary directors (i) when the shareholder they represent sells its full shareholding or significantly reduces it, and (ii) when this shareholder reduces its shareholding in the corresponding number to a level that requires the reduction of the number of proprietary directors.

3. In the event that, by resignation ~~or for any other reason~~ or by resolution of the General Meeting, a director departs office prior to the end of his/her term, he/she must explain ~~the reasons~~ as sufficient as he/she can the reasons for the dismissal, or if non-executive directors, its opinion on the reasons for the General Meeting resolution therefore in a letter that he/she will send to all the members of the Board.

This will be reported in the annual corporate governance report. Likewise, insofar as it is relevant for investors, the Company shall publish the dismissal as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

4. The Board of Directors may propose the removal of an independent director only prior to the lapse of the statutory term upon the occurrence of just cause, as qualified by the Board of Directors. Specifically, just cause will be deemed to have occurred when the director occupy new positions or take on new obligations that prevent him from devoting the necessary time to the performance of the duties inherent to the position of director, has breached the duties inherent to his/her office, or has subsequently become involved in any of the cases of incompatibility described in the definition of independent director under the regulations in force, or in the absence thereof, under the recommendations of good corporate governance applicable to the Company at all times.

#### **Article 24. Objectivity of voting**

In accordance with the provisions of article 31 of these Regulations, the directors affected by proposals for appointment, re-election, or termination will refrain from participating in the deliberations and voting related thereto.

### **TITLE VII.- DIRECTORS' RIGHT TO INFORMATION**

#### **Article 25. Powers of information and inspection**

1. Directors may request information on any matter within the authority of the Board of Directors, and in this regard may examine its books, records, documents, and other documentation. The right to information extends in all cases to the subsidiary Companies and when possible to the investees.
2. Requests for information will be addressed to the Secretary of the Board of Directors, who will forward them to the Chairman of the Board of Directors and the appropriate contact person within the Company.



3. The Secretary will advise the director of the confidential nature of the information requested and received, and of his/her duty of confidentiality in accordance with the provisions of these Regulations.
4. The Chairman may deny the information request if he/she deems: (i) that it is not necessary to the proper performance of the functions entrusted to the director, or (ii) that its cost is unreasonable in view of the importance of the problem and the assets and revenues of the Company.

#### **Article 26. Expert support**

1. In order to be assisted in the exercise of their functions, all directors may obtain from the Company the necessary advice for the performance thereof. The Company will determine the appropriate channels to this end, which in special circumstances may include external advisory services billable to the Company.

Such delegation must necessarily deal with concrete problems of a certain degree and complexity that arise in the performance of the position.

2. The decision to hire external advisory services billable to the Company will be communicated to the Chairman of the Company and may be vetoed by the Board of Directors if it proves:
  - a. That it is not necessary to the proper performance of the functions entrusted to the outside directors;
  - b. That its cost is unreasonable in view of the importance of the problem and the assets and revenues of the Company; or
  - c. That the technical support attained may be adequately provided by experts and technicians within the Company.

### **TITLE VIII.- REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS**

#### **Article 27. Directors' remuneration**

1. The directors will be entitled to receive the remuneration set in the Articles of Association.
2. Subject to the limits set forth in the Articles of Association and in the remuneration policy, the Board of Directors will seek to ensure that the remuneration of the directors be reasonably proportionate to the value of the Company, its financial situation at any given time, and the market standards for comparable companies. The remuneration system established will be aimed at promoting the long-term profitability and sustainability of the eCompany and incorporating the necessary precautions to avoid excessive risk taking and the reward of unfavourable results.
3. Likewise, the Board of Directors will seek to ensure that the remuneration of the directors is sufficient to offer incentives to attract and retain directors of the desired

profile and remunerate the dedication, qualification, and responsibility required by the position, but not so high as to compromise the independence of judgement of nonexecutive directors.

4. Remuneration linked to the Company's results will take into account any qualifications stated in the auditor's report that reduce said results.

In the event of a correction to the annual accounts on which such remuneration was based, the Board of Directors will assess whether it is appropriate to settle or refund the payment of variable remuneration, in whole or in part.

5. Variable remuneration linked to the eCompany performance and individual performance, as well as remuneration through the delivery of shares, options, or rights over shares or instruments tied to the value of the share, and long-term savings schemes such as pension plans, retirement schemes, or other social welfare schemes, generally will be limited to executive directors.

Non-executive directors may participate in the remuneration schemes that entail delivery of shares when this is subject to the maintenance of the ownership of the shares while exercising a director position. The foregoing will not apply to the shares of which the director must dispose to satisfy the costs related to their acquisition, where applicable.

6. The remuneration policies will incorporate the limits and technical precautions necessary to ensure that variable remuneration maintains a relationship to the professional performance of the beneficiaries thereof, and does not derive exclusively from the general evolution of the markets or the sector of activity of the Company or other similar circumstances.
7. The Board of Directors will prepare an annual report on the remuneration of the directors subject to the terms established by the applicable regulations.

This report will be made available to shareholders on the occasion of the holding of the Annual General Meeting and will be subject to a consultative vote as a separate item on the agenda.

## TITLE IX. - DIRECTORS' DUTIES

### Article 28. ~~General directors' obligations~~ Duty of care

- ~~1. In the performance of their functions, directors will act with the care of a reasonable business person and a loyal representative. Their actions will be guided solely by the corporate interest, seeking to best defend and protect the interests of all shareholders, to whom their authority is owed and to whom they are accountable~~

1. Directors shall carry out their duties and duties imposed by law and by the Articles of Association with the diligence of an orderly businessman, taking into account the nature of the position and the functions attributed to them, and shall adopt the necessary measures for the good management and control of the Company.

2. ~~3.~~ Particularly and notwithstanding the obligations imposed by the Law and the Articles of Association, directors are obliged to:

- a. Be informed and adequately prepared for meetings of the Board of Directors and of the delegated bodies and advisory Committees to which they may belong;
- b. Attend meetings of the Board of Directors and actively participate in the deliberations so that their judgments are effectively reflected in decision-making.

In the event that, for fair cause, a director cannot attend the meetings to which he/she has been called, then he/she will designate a director to be his/her representative.

- c. Contribute their strategic vision, as well as concepts, criteria, and innovative measures for the optimal development and evolution of the business of the Company.
- d. Carry out any specific tasks entrusted to them by the Board of Directors or any of their delegated and/or consultative bodies and that are reasonably included in their commitment of dedication.
- e. Investigate any irregularity in the management of the ~~e~~Company of which they may have become notified and monitor any risk situation.
- f. Request the persons with the capacity to call meetings to convene an extraordinary meeting of the Board of Directors, or include in the agenda of the call the items the director considers appropriate.
- g. Object to resolutions contrary to the Law, the Articles of Association, these Regulations, or any other Company's internal rule or the corporate interest, and request their position to be recorded in the minutes if they deem it more useful for the safeguarding of the corporate interest. Independent directors and other directors not affected by the potential conflict of interest will especially clearly express their objection to decisions that may harm shareholders not represented on the Board of Directors.

In the event that the Board of Directors adopts significant or repeated resolutions in respect of which a director has made serious reservations, the latter will draw the appropriate conclusions, and if he/she should opt to resign then he/she will explain the reasons therefore in the letter of resignation.

The provisions of this letter will apply to the Secretary of the Board, despite not having the status of director.

3. ~~4.~~ In any event, directors will dedicate the time and effort necessary to perform their role effectively, and they will consequently inform the Appointments and Remuneration Committee of their other professional obligations, in case these could interfere with the dedication required. ~~5.~~

4. The duty of care shall be deemed to have been exercised when the director has acted in good faith, without any personal interest in the matter under consideration, with sufficient information and in accordance with an appropriate decision-making procedure.

#### Article 28 bis Duty of Loyalty

1. Directors shall carry out their duties with the loyalty of a faithful representative, acting in good faith and in the best interests of the Company. Their actions will be guided solely by the corporate interest, seeking to reconcile it not only with the best defense and protection the interests of all shareholders, to whom their authority is owed and to whom they are accountable but also with, as appropriate, the legitimate interests of its employees, its suppliers, its clients and those of the other interest groups that may be affected, as well as the impact of the Company's activities on the community as a whole and on the environment.

In particular, the duty of loyalty obliges the director to:

- a. Not to exercise their powers for purposes other than those for which they have been granted.
- b. To keep secret the information, data, reports or records to which he has had access in the performance of his duties, even when he has ceased to hold them, except in cases where the Law allows or requires it, under the terms provided in Article 29 below.
- c. Refrain from participating in the deliberation and voting of agreements or decisions in which he or a related person has a direct or indirect conflict of interest. Agreements or decisions that affect him as a director, such as his appointment or revocation to positions on the Board of Directors or others of similar significance, shall be excluded from the above obligation to abstain.
- d. To carry out their functions under the principle of personal responsibility with freedom of judgement and independence from instructions and links to third parties.
- e. Adopt the necessary measures to avoid situations in which their interests, whether on their own account or on behalf of others, could come into conflict with the Company's interests and their duties towards the Company.

#### **Article 29. Directors' duty of confidentiality**

1. Directors will maintain the secrecy of the deliberations of the Board of Directors and of the delegated bodies and advisory Committees of which they are members, and generally will refrain from disclosing the information to which they have had access in the exercise of office.

2. The obligation of confidentiality will survive even the termination of office, with directors required to maintain the secrecy of confidential information and information, data, reports, or background facts learned as a result of the exercise of office. Such items cannot be reported to third parties or disclosed when doing so could harm the corporate interest. The duties referred to in this paragraph are not applicable in those cases whereby the laws permit communication or disclosure of the items to third parties, or if applicable, they are required or requested to be sent to the corresponding supervisory authorities, in which case the transfer of information will comply with legal provisions.

### **Article 30. Obligation of non-competition**

1. Directors may not hold the position of manager or director in companies that are competitors of the Company, excluding positions they may occupy in Group companies or in the Management Company, unless expressly authorised by the Board of Directors on the basis of a report by the [Audit Appointment](#) and [Control Committee Retribution Committee](#) and without prejudice to the provisions of article 227 *et seq.* of the Spanish Corporate Enterprises Act.
2. Directors intending to provide professional services to entities that have a corporate purpose that is totally or partially analogous to that of the Company will previously disclose such purpose to the Board of Directors, which may reasonably deny its authorisation of such activity.
3. [The obligation not to compete with the Company may only be waived if no damage to the Company can be expected or if the expected benefit of the waiver outweighs the expected benefit. The dispensation shall be granted by express agreement separate from the General Meeting.](#)  
  
[In any case, at the request of any shareholder, the General Shareholder's Meeting will decide on the removal of a director who carries out competitive activities when the risk of damage to the Company has become relevant.](#)

### **Article 31. Conflicts of interest**

1. A conflict of interest will be deemed to exist in those situations wherein the interest of the Company or of the companies forming part of its group and the personal interest of the director directly or indirectly conflict. The director has a personal interest when the matter affects him/her or a person related to him/her, ~~or in the case of a proprietary director, if it affects the shareholder or shareholders who proposed or caused his/her appointment or persons directly or indirectly related to him/her.~~
2. For purposes of these Regulations, the following terms will have the meanings set forth below:
  - ~~i. Persons related to a natural person director:~~
    - i. A spouse or other person related by a like relationship of affection.

- ii. The ascendants, descendants, or siblings of the director or of the spouse (or person related by a like relationship of affection) of the director.
  - iii. The spouses of the ascendants, descendants, and siblings of the director.
  - iv. The Companies or entities in which the director or any related person, acting personally or through a nominee, falls within any of the situations envisaged by article 42 of the Spanish Commercial Code (*Código de Comercio*).
  - v. The Companies or entities in which the director or any related person, acting personally or through a nominee, exercises a managerial or leadership position or from which he/she receives remuneration for any reason.
  - vi. In the case of proprietary directors, this includes the shareholders at whose proposal their appointment was made.
- b. Persons related to a corporate director:
- i. Shareholders who, in respect of the corporate director, fall within any of the situations envisaged in article 42 of the Spanish Commercial Code.
  - ii. Companies that form part of the same group, as such term is defined by in article 42 of the Spanish Commercial Code, and the shareholders thereof.
  - iii. Individuals acting as a representative, managers (in fact or in law), liquidators, and representatives holding general powers of attorney granted by the corporate director.
  - iv. Those persons who, in respect of the representative of the legal entity acting as director, are deemed related persons pursuant to the provisions of this article applicable to corporate directors.

3. In particular, the directors should refrain from carrying out transactions with the Company (except for ordinary transactions, carried out under standard conditions for clients and of little relevance, understood as those whose information is not necessary to express a true and fair view of the Company's assets, financial situation and results).

4. ~~2. In any case, Directors will disclose the existence of conflicts of interest to the Board of Directors of the Company, and will refrain from acting as a representative of the Company in the transaction underlying the conflict, subject to the exceptions established under applicable law.~~ any conflict, direct or indirect, that he or persons linked to him may have with the interest of the Company

5. Situations of conflict of interest incurred by directors shall be disclosed in the notes to the annual accounts.

### **Article 32. Use of company assets**

Directors may not use company assets ~~nor their position in the company to their economic advantage unless adequate consideration has been paid~~, including confidential information of the Company, for private purposes nor obtain advantages or remuneration from third parties other than the Company and its Group associated with the performance of their duties, except in the case of mere courtesy.

Likewise, directors may not use the name of the Company or invoke their status as a director to unduly influence the carrying out of private operations.

### **Article 33. Non-public information**

Directors will observe the code of conduct established in the stock market regulations, and particularly the rules enshrined in the Company's Internal Code of Conduct in the Stock Markets in relation to the treatment of privileged information and relevant information.

### **Article 34. Business opportunities**

1. Directors may not take advantage of a business opportunity of the Company to their own benefit or that of a related person under the terms established in article 31 of these Regulations, unless it is first offered to the company and it declines to pursue it.
2. For the purposes of the foregoing paragraph, a business opportunity will be understood as any possibility to execute an investment or commercial transaction that has arisen or was discovered in connection with the exercise of office by the director, or through the use of the resources and information of the Company, or under such circumstances that it is reasonable to conclude that the offer of the third party was in fact addressed to the Company.

### **Article 35. Indirect transactions**

Directors are in breach of their duties of loyalty to the Company if with advance knowledge they allow or fail to disclose the existence of transactions performed by the persons linked to him specified in article 31 of these Regulations and that were not subject to the criteria and controls provided in the foregoing articles.

### **Article 36. Directors' duties of disclosure**

1. Directors will disclose to the ~~Company~~ Board of Directors any shares thereof directly or indirectly held by ~~the~~ persons linked to him specified in article 31 of these Regulations, all in accordance with the provisions of the Company's Internal Code of Conduct in the Stock Markets.
2. Directors will also disclose to the ~~Company~~ Board of Directors any positions he/she holds on the Boards of Directors of other listed or not companies, as well as on other paid activities of whatever nature and generally the facts, circumstances, or situations that may be relevant to his/her service as manager of the Company in accordance with the provisions of these Regulations.

3. Likewise, directors will also disclose to the ~~Company any cases~~ Board of Directors when situations arise that affect them, related or not to their actions within the Company, that may damage the credit and reputation of the Company, and they will particularly inform the Board of any criminal cases in which they appear as ~~defendants,~~ investigated as well as of the ~~subsequent~~ procedural developments thereof.

~~In the event that a director is prosecuted or is named as defendant in an order to initiate oral proceedings for any of the offences indicated in article 213 of the Spanish Corporate Enterprises Act, the~~ The Board of Directors, having been informed of or otherwise become aware of the situations mentioned in the previous paragraph, will examine the case as soon as possible, and in view of its specific and, attending to the particular circumstances, will decide whether the director will continue in office, based on a report from the Appointments and Remunerations Committee, whether or not to adopt any measures such as opening an internal investigation, requesting the resignation of the director or proposing his removal to the General Shareholders' Meeting. This will be reported on in the annual corporate governance report, unless special circumstances justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the Company should disseminate, if appropriate, when the corresponding measures are adopted.

#### **Article 37. Transactions with directors and significant shareholders**

1. The Board of Directors, or in cases of urgency, the Executive Committee, if any, with the subsequent ratification of the Board of Directors following a report from the Audit and Control Committee, will have authority to authorise the execution by the Company of any transaction with directors or shareholders holding a significant ownership interest under the provisions of the securities market regulations ultimately applicable at any time, or if applicable, which have proposed the appointment of any of the directors of the Company, or with the respective related persons, with such persons understood to refer to those specified in article 31 of these Regulations.
2. The Audit and Control Committee, and the Board of Directors or the Executive Committee, if any, prior to authorising the Company to execute transactions of this nature, will evaluate the transaction from the perspective of the equal treatment of shareholders and market conditions.
3. The authorisation of the Board will not however be deemed necessary in related-party transactions concurrently meeting the following three criteria: (i) performed under contracts, the terms and conditions of which are standardised and applied *en masse* to a large number of customers; (ii) performed at generally established prices or rates generally set by whoever acts as supplier of the good or service in question; and (iii) for an amount not exceeding 1% of the annual revenues of the Company.
4. The generic authorisation of the Board of Directors will suffice for transactions within the ordinary course of company business and that are habitual or recurrent.



## TITLE X.- INFORMATION POLICY AND RELATIONS OF THE BOARD

### Article 38. Website

1. The Company will maintain the corporate website ([www.larespana.com](http://www.larespana.com)) to enable the shareholders' exercise of their right to information, and to disclose ~~relevant~~ information as required under securities law, which will include the documentation and information specified under the applicable regulations, including the information and documentation relating to the convening of General Shareholders' Meetings, as well as any other documentation and information that the Board of Directors deems appropriate to make available to the shareholders through this method.
2. It falls upon the Board of Directors to make available the information that will be incorporated into the corporate website of the Company so as to comply with the obligations imposed by the applicable regulations, ~~and~~ it will have an ongoing responsibility to update it per the provisions of the law in force.

### Article 39. Relations with shareholders

1. The Board of Directors will determine the appropriate channels to hear proposals prepared by the shareholders in relation to the management of the Company.
2. The Board, through some of its members and with the collaboration of the members of senior management it deems pertinent, will be able to organise informational meetings about the progress of the Company and its ~~g~~Group for the shareholders residing in the most relevant financial centres in Spain and abroad.
3. The Board of Directors will likewise establish adequate mechanisms for the regular exchange of information with the institutional investors that form part of the shareholding of the Company. Under no circumstances will the relations between the Board of Directors and the institutional shareholders result in the delivery to the latter of any information that could provide them with a privilege or advantage over the other shareholders.

4. The Board of Directors shall define and promote a policy of communication, contacts and involvement with shareholders, institutional investors and proxy advisors that fully respects the rules against market abuse and gives similar treatment to shareholders in the same position, including the policy of communicating economic-financial, non-financial and corporate information.

The Company shall make the aforementioned policy public through its website, including information on how it has been implemented, and will identify the partners or persons responsible for carrying it out.

5. ~~4.~~ Any public request for the delegation of votes made by the Board of Directors or by any of its members will justify the direction in which the representative will vote in case the shareholder does not provide instructions.

6. The Board of Directors will promote the informed participation of the shareholders in the General Meetings and will adopt any appropriate measures to enable the General Shareholders' Meeting to effectively exercise the functions inherent thereto in accordance with the law and the Articles of Association.

In particular, the Board of Directors will adopt the following measures:

- a. It will, in advance of General Shareholders' Meetings, endeavour to make available to the shareholders any information required pursuant to the law in force, as well as any information that may be of interest and reasonably provided, despite its disclosure not being required.
- b. It will with utmost diligence answer the requests for disclosure made by the shareholders in advance of General Shareholders' Meetings.
- c. It will equally diligently respond to the questions posed by the shareholders at the General Shareholders' Meeting.

#### **Article 40. Relations with the markets**

1. The Board of Directors, through disclosures of relevant facts to the Spanish National Securities Market Commission (CNMV) and on the corporate website, will immediately inform the public of all other relevant and privileged information in accordance with the terms of the regulations ultimately applicable to the circumstances at hand.
2. The Board of Directors will appoint one or more persons to act as authorised representatives before the National Securities Market Commission and will notify said Commission of such appointment in accordance with the provisions of the law in force.
3. The Board of Directors will adopt the necessary measures to ensure that the ~~quarterly~~, biannual, and any other financial disclosures reasonablyLaw required to be made available to the markets are prepared in accordance with the same principles, standards, and professional practices used to prepare the annual accounts, and that they carry the same reliability as the latter.
4. The Board of Directors will include information on the governance policy of the Company and the degree of compliance therewith in its annual public documentation.

#### **Article 41. Relations with auditors**

1. It falls upon the Audit and Control Committee to propose to the Board of Directors, for its subsequent submission to the General Shareholders' Meeting, the appointment (specifying the terms of engagement and the scope of professional authority), renewal, and revocation of the auditor of the annual accounts of the Company, and to supervise compliance with the audit contract in accordance with article 14 of these Regulations.
2. The Audit and Control Committee will refrain from proposing to the Board of Directors, and the latter will likewise refrain from submitting to the General

Shareholders' Meeting, the appointment as auditor of the Company of any auditor deemed precluded in accordance with audit regulations, as well as those companies whose fees expected to be billed to the Company, for all items, exceed 5% of its total revenues for the preceding fiscal year.

~~3. The Board of Directors will endeavour to finalise the annual accounts, in such a way as to preclude any reservations or qualifications by the auditor. In the exceptional cases in which they manifest, both the Chairman of the Audit and Control Committee and the external auditors will clearly explain the contents of said reservations or qualifications to the shareholders. However, when the Board deems that it must maintain its determination, then it will publicly explain the contents and scope of the discrepancy.~~

#### **Article 42. Relations with senior management of the Company**

The relations between the Board of Directors and the senior management of the Company, as provided in these Regulations, will necessarily be channelled through the Chairman of the Board of Directors or the CEO, as applicable, and in the absence of such persons, through the Secretary of the Board of Directors.

\* \* \*



*This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.*

## **ANNEX II**

*This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.*

**Audit and Control Committee Regulations**  
**of**  
**Lar España Real Estate SOCIMI, S.A.**

Madrid, 1~~2~~<sup>5</sup> December 20~~19~~<sup>20</sup>

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***This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.***

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

1. The Audit and Control Committee of the Board of Directors of Lar España Real Estate SOCIMI, S.A. (hereinafter, the “**Company**”) is formed in accordance with that set forth in the Spanish Corporations Act and in Article 42 of the Bylaws and Article 14 of the Company’s Board of Directors Regulations.
2. The purpose of these Audit and Control Committee Regulations, approved by the Company’s Board of Directors, is to establish the rules regarding the organisation and functioning of its Audit and Control Committee, implementing, with regard to that deemed appropriate to better carry out its functions, the provisions of the Bylaws and the Board of Directors Regulations based on good governance recommendations and criteria established by the Spanish National Securities Market Commission and taking into account the characteristics of the Company and its Group.
3. With regard to that not expressly envisaged in these Regulations, the provisions set forth by the Committee itself shall apply, and that established in the Bylaws and the Board Regulations regarding the functioning of the Board of Directors shall also be applicable to the extent possible given its nature and functions.

#### **Article 2. Interpretation, amendment and dissemination**

1. The Audit and Control Committee shall take into account the applicable legislation and the good governance recommendations and criteria established by supervisory bodies and, in particular, by the Spanish National Stock Market Commission in applying and interpreting these Regulations.
2. The Regulations shall be reviewed on a regular basis by the Board of Directors, taking into account the proposals put forward in this regard by the Audit and Control Committee, and shall be available to shareholders and the market in general through their publication on the Company’s website.

#### **Article 3. Composition of the Audit and Control Committee**

1. The Board of Directors shall form an Audit and Control Committee, on a permanent basis, that will be composed by a minimum of three and a maximum of five directors appointed by the Board of Directors amongst the external or non-executive directors, the majority of which must be independent directors. The members of the Audit and Control Committee as a whole, and particularly its Chairman shall be appointed on the basis of their knowledge and background in accounting, audit and risk management, both financial and non-financial. Additionally, the Board will endeavour that they have knowledge and experience in other areas that may be appropriate for the Audit and Control Committee to fulfil its functions ~~as a whole~~, such as finance, internal control and information technologies.

Likewise, and without prejudice to endeavouring the promotion on diversity of gender and geographical origin, the Committee members, who will be appointed taking into account

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the necessary dedication to carry out the functions entrusted thereto, shall have, as a whole, the technical knowledge necessary in relation to the Company's business sector.

2. The members of the Audit and Control Committee shall perform their duties for a maximum period of three years and may be re-elected for one or more subsequent terms of equal length.
3. In any case, the Committee members shall be relieved of their duties once their tenure as a director ceases, or when agreed by the Board of Directors.

#### **Article 4. Committee positions**

1. The Board of Directors shall appoint the Chairman of the Committee from among the independent directors that form part thereof.

The position of Chairman shall be held for a maximum of three years, after which he may not be eligible for re-election as such until one year has elapsed since completing their term, without prejudice to their continuity or re-election as a Committee member.

2. The position of Secretary and Deputy Secretary of the Audit and Control Committee shall be held by the Secretary and by the Deputy Secretary of the Board of Directors.

The Secretary or, where applicable, the Deputy Secretary must assist the Chairman of the Committee in planning the meetings and gathering and providing the necessary information sufficiently in advance, drawing up the minutes of the meetings.

#### **Article 5. Functions of the Audit and Control Committee**

1. Without prejudice to any other tasks that may be assigned at any given time by the Board of Directors, the Audit and Control Committee shall exercise the following basic functions:

a. With regard to the supervision of financial and non-financial information:

- i. Report to the General Shareholders' Meeting on any matters raised by the shareholders regarding its competence and, in particular, on the results of the audit, explaining how it contributed to the integrity of the financial information and the function discharged by the Committee in this process.
- ii. Supervise the process of preparing and submitting the required financial information and submit recommendations or proposals to the ~~managing body~~ Board of Directors aimed at safeguarding its integrity.
- iii. Oversee that the annual accounts the Board of Directors ~~endeavours to present the financial statements~~ presents to the General Shareholders' Meeting ~~without reservations or qualifications in the auditors' report. Should such reservations or qualifications exist, both~~ are drawn up in accordance to accounting legislation. However, in those cases where the auditors includes any qualification in its report, the Chairman of the Audit and Control Committee ~~and the auditors should clearly explain to the shareholders of the content and~~



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~~scope of such reservations or qualifications.~~ should give a clear explanation at the General Shareholders' Meeting of their opinion regarding the content and scope. Likewise, a summary of that opinion will be available to the shareholders at the time of the publication of the notice of the General Shareholders' Meeting.

- iv. Give the Board of Directors prior notice of any financial information and the management report, including, where appropriate, the required non-financial information that the Company, ~~as a listed company~~, is obliged to publish periodically. The Audit and Control Committee must ensure that the half-yearly financial reports and the interim management reports are drawn up in accordance with the same accounting policies as the annual financial statements and, to this end, may ask the external auditor to conduct a limited review of the half-yearly financial reports.

b. With regard to the supervision of internal control and reporting systems:

- i. Supervise and evaluate the preparation and the integrity of the financial and non-financial information prepared on the Company and, where appropriate, the Group, checking the fulfilment of legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles and, in particular, know, understand and monitor the effectiveness of the internal control over financial reporting system (ICFR).

- ii. Supervise on a regular basis the effectiveness of the internal control of the Company and its Group as well as the activities of the Company's internal audit function, discussing, together with the auditors, any significant weaknesses in the internal control system detected in the audit, and drawing conclusions on the system's level of accuracy and reliability, all without diminishing its independence. To this effect, and where applicable, the Committee shall submit recommendations or proposals to the Board of Directors and the corresponding period for the follow-up thereof.

iii. Ensure in general that the policies and systems established for internal control are effectively implemented in practice.

- iv. ~~iii.~~ Supervise the unit that assumes the internal audit function, which shall oversee the proper functioning of the reporting and internal control systems and will report functionally to the Chairman of the Audit and Control Committee and, in particular: (a) monitor the independence and effectiveness of the internal audit function; (b) propose the selection, appointment, ~~re-election~~ and removal of the head of the internal audit unit; (c) propose the unit's budget; (d) approve its priorities and the annual internal audit work plans, ensuring that it's activity focuses primarily on the main ~~risks to which the Company is exposed~~ risks (including reputational ones); (e) receive regular reports on its activities; (g) verify that senior management take into account the findings and recommendations of its reports; and (g) assess, on an annual basis, the functioning of the internal audit unit as well as the performance of

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its functions by its head, whereby the opinion of executive management shall be sought out for such purposes.

The head of the internal audit unit should present an annual work plan to the Committee; will report on its implementation, including any possible incidents and scope limitations arising during its implementation; and as well as the results and monitoring of its recommendations, and will submit an activities' report at the end of each year.

- v. ~~iv.~~ Establish and monitor a mechanism whereby employees and ~~any third-party can report, in a confidential or, if appropriate, anonymous manner, other persons related to the Company, such as directors, shareholders, suppliers, contractors and subcontractors can report~~ any potentially significant irregularities within the Company, ~~particularly of a or its Group, including financial and accounting irregularities, or those of any other~~ nature, receiving regular reports on its functioning and proposing any actions deemed appropriate to improve the mechanism and reduce the risk of irregularities in the future. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.

c. With regard to the external auditor:

- i. Submit to the Board the proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process, in accordance with that set forth in applicable legislation, as well as the contracting conditions, and for such purpose it must:
  - 1º. determine the process of selection of the auditor; and
  - 2º. issue a reasoned proposal that shall contain a minimum of two alternatives for selecting the auditor, unless the same auditor is being re-elected.
- ii. Receive regular information from the external auditor on the audit plan and on the results of its implementation, and check that senior management is acting on its recommendations.
- iii. Establish the proper relationships with auditors to receive information on any matters that may threatened their independence, in particular any discrepancies that may arise between the auditor and the Company's management, for examination by the Audit and Control Committee, and any other matters related to the audit process and, where applicable, the authorisation of the services other than those prohibited, under the terms envisaged in applicable legislation, as well as other notices envisaged in audit legislation and other audit regulations.

In any event, written confirmation on its independence with respect to the Company or entities directly or indirectly connected thereto must be received,

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on an annual basis, from the external auditor, as well as detailed and individual information on any type of additional services provided and the related fees received from these entities by the external auditor or by persons or entities related to the auditor, pursuant to the applicable accounting legislation.

- iv. Issue an annual report, prior to the issue of the auditors' report, containing an opinion on whether the independence of the auditors or audit companies has been compromised, which will be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting. Such report shall, in all cases, contain the reasoned evaluation of the provision of each of the additional services mentioned in the section above, considered individually and as a whole, other than legal audit services, and in relation to the rules on independence or in accordance with the regulations governing audit activities.
  - v. Preserve the independence of the external auditor in the performance of its duties and, for such purpose: (i) ensure that the Company notifies through the Spanish National Stock Market Commission ~~as a Significant Event~~ any change of auditor, accompanied by a statement of any possible disagreements arising with the outgoing auditor and, if any, of its content; (ii) ensure that the Company and the auditor adhere to current regulations on the provision of non-audit services and, in general, other requirements designated to safeguard auditors' independence; and (iii), in the event of auditor's resignation, examine the reasons thereto.
  - vi. In the case of groups, the Committee should favour that the Group auditor takes on the auditing of all companies of the Group.
  - vii. Ensure that the remuneration of the external auditor does not compromise its quality or independence.
  - viii. Ensure that the external auditor has an annual meeting with the Board of Directors in plenary session to inform it on the work undertaken and developments in the Company's risk and accounting positions.
  - ix. Carry out a final assessment regarding the auditor's performance and how it contributed to the quality of the audit and the integrity of the financial information.
- d. With regard to the supervision of risk management and control:
- i. Supervise and evaluate the effectiveness of the risk ~~management systems and control management systems including financial and non-financial relative to the Company or, where appropriate, to the Group (including operating, technological, legal, social, environmental, political and reputational or those related to corruption)~~ and, in particular, review these systems in order for the main risks being properly identified, managed and disclosed.

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- ii. Supervise the internal risk management and control function.
  - iii. In relation to the risk policy and risk management, identify or determinate, at least: (i) the different types of risk (operating, technological, financial, legal, reputational, including those related to corruption) to which the Company is exposed, including financial or economic risks of contingent liabilities and other off-balance sheet risks; (ii) ~~the determination of the risk levels~~ a risk control and management model based on different levels (iii) the level of risk that the Company deems acceptable; (iiiiv) the measures in place to mitigate the impact of the identified risks, should they occur; and (ivv) the internal reporting and control systems to be applied to control and manage the aforementioned risks, including contingent liabilities and off-balance risks.
  - iv. Reassess, at least on an annual basis, the list of most significant financial and non-financial risks and assess their level of tolerance, proposing any adjustments to the Board of Directors, where applicable.
  - v. Hold a meeting, at least on an annual basis, with the senior managers of the business units to explain the business trends and associated risks.
- e. With regard to the obligations of listed companies:
- i. Report to the Board of Directors, prior to the Board passing the related resolutions on the following:
    - (a) ~~i.—The incorporation or acquisition of ownership interests in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group. Related transactions, as they are defined by the legislation applicable at any given time.—~~
    - (b) The economic conditions, the accounting impact and, where applicable, the impact on the exchange ratio of the structural changes and corporate transactions that the Company plans to carry out.
    - (c) Any amendment to the internal code of conduct.
  - ii. ~~With regard to~~ Inform about related transactions, ~~the to be approved by the General Shareholders' Meeting or the Board of Directors.~~  
The annual report issued, where applicable, by the Audit and Control Committee on related transactions will be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting.

~~The economic conditions, the accounting impact and, where applicable, the impact on the exchange ratio of the structural changes and corporate transactions that the Company plans to carry out.—~~

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~~(a) Any amendment to the internal code of conduct.~~

- f. With regard to the supervising compliance with the policies and rules of the Company's corporate governance obligations, and the internal rules of conduct:
- i. Monitor compliance with legal requirements and the Company's internal governance regulations, ~~including and the~~ internal codes of conduct, ensuring that the corporate culture is aligned with its purpose and values.
  - ii. Regularly review the Company's internal governance regulations and propose to the Board of Directors, for approval or submission at the General Shareholders' Meeting, as the case may be, any amendments and updates that contribute to its development and ongoing improvement.
  - iii. Promote the Company's corporate governance strategy and regularly evaluate ~~the effectiveness of~~ and review the Company's governance system, to confirm that it is fulfilling its mission to promote the corporate interest and takes into account, as appropriate, to the legitimate interests of remaining stakeholders.
  - iv. Supervise the general policy relative to the communication ~~strategy and of economic-financial, non-financial and corporate information, as well as the communication with~~ shareholders and investors' ~~relations, including, proxy advisors and other interest groups. Likewise, will be followed the way the Company communicates and relates with~~ small- and medium-sized shareholders.~~.~~
  - ~~v. — Assess all aspects related to non-financial risks of the Company (including operational, technological, legal, social, environmental, political and reputational risks).~~
  - ~~vi. Coordinate non-financial information and diversity reporting processes in accordance with applicable legislation and international benchmarks.~~
  - v. ~~vii.~~ Be apprised of, promote, guide and supervise the Company's performance regarding corporate reputation and report thereon to the Board of Directors or, where applicable, to the Executive Committee.
  - ~~viii. — Report on the matters of Title IX of the Board of Directors Regulations, under the terms envisaged therein.~~
  - vi. ~~ix.~~ Report on, prior to its approval, the Company's annual governance report, obtaining for such purposes the reports from the Appointments and Remuneration Committee in relation to these sections of such report that are within their competence.
- g. Other functions of the Committee:
- i. Supervise the calculation of fees received by the Management Company in the performance of its functions. ii. Appoint and supervise the

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- services of external appraisers in relation to the appraisal of the Company's assets.
- iii. Any other general or specific reporting function and proposal commissioned by the Board of Directors.
  - iv. Any other competence or function attributed by law, the Bylaws or the Board Regulations.
2. In carrying out and performing its functions, the Audit and Control Committee must take into account the principles and criteria established in the CNMV Technical Guide 3/2017, on audit committees, of 27 June 2017, without prejudice to its adjustment to the particular circumstances and characteristics of the Company and its Group.
  3. The Audit and Control Committee shall establish annually an action plan which shall contemplate the main activities of the Committee during the financial year in relation to the fulfilment of its functions, to which it shall report to the Board, to which it shall be accountable for the work carried out.

#### **Article 6. Call of the meetings**

1. The Audit and Control Committee shall meet regularly, on a quarterly basis, to review the periodic financial information that must be submitted to the supervisory authorities, as well as the information that the Board of Directors has to approve and include as part of its annual public documents. In relation to these matters, the internal auditor must attend the Committee's meetings and, if any type of review report is issued, the external auditor must also attend, however, they will not be present in the decision-making part of the meeting when the Audit and Control Committee must adopt the relevant decisions.
2. Additionally, the Committee shall also meet at the request of any of its members and when called by its Chairman, which must call a meeting whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever deemed appropriate for the successful performance of its functions.
3. Audit and Control Committee meetings shall be called by the Secretary of the Committee or, where applicable, the Deputy Secretary, by order of the Chairman, at least three days prior to the meeting, except in cases of emergency that justify calling a meeting immediately or within less time. The call notice will be sent by letter, fax, e-mail or by any other means that provide evidence of receipt.

The call notice shall always include the agenda of the meeting and will be accompanied by the necessary information, without prejudice to the fact that in certain circumstances all or part of the information may be provided at the meeting itself.

#### **Article 7. Meetings**

1. Audit and Control Committee meetings shall be held, in accordance with its annual work plan, at the Company's registered office or at any location previously designated by the Chairman and indicated in the call notice.

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2. Committee meetings may be held through multiconference calls, videoconference or any other similar systems such that one or several members may attend the meeting through the indicated system. For such purpose, the call notice of the meeting, in addition to indicating the location where the actual meeting will take place, must mention that members may also attend the meeting through conference calls, videoconference or an equivalent system, whereby the technical means necessary for such purpose must be indicated and available, which in any case must enable direct and simultaneous communication between all attendees. The meetings shall be deemed to have been held where the highest number of directors is present and, in the event of a tie, at the registered office. The Secretary of the Audit and Control Committee must place on record in the minutes of the meetings held, in addition to those members attending the meeting in person or, where applicable, represented by another Committee member, those that attend the meeting through the multiconference call, videoconference or similar system.
3. Constructive discussions among its members shall be encouraged at the Committee meetings, promoting free expression and the supervisory and analysis mindset of its members, whereby the Chairman of the Committee must ensure that its members freely participate in discussions.
4. The Audit and Control Committee shall draft an annual report on its performance during the year, which will serve as the basis for the evaluation to be carried out by the Board of Directors, highlighting the main incidents, if any, that have arisen in relation to its functions. The report shall include, among other issues, the significant activities carried out during the period, and report on those that were carried out in collaboration with external experts and, when deemed appropriate by the Committee, this report will include proposals to improve the Company's governance rules. The report shall be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting.
5. The Audit and Control Committee may call any of the members of the management team or the Company's personnel, even ordering their appearance without the presence of another senior officer. Those called shall be obliged to attend the meetings of the Audit and Control Committee and provide their collaboration and access to the information they have available. The Committee may also require attendance at its meetings by other persons (executive directors, experts, auditors, etc.), although only by invitation of the Chairman of the Committee and only to discuss those specific items on the agenda for which they are summoned. In particular, senior officers or other executive or non-executive directors shall only occasionally attend Committee meetings, also ensuring that invited parties not to attend the committee's deliberation and voting stages.

#### **Article 8. Convening of meetings and adoption of resolutions**

1. The Audit and Control Committee shall be validly convened when the majority of its members are present, in person or represented, adopting resolutions by an absolute majority of those present or represented. The Chairman of the Audit and Control Committee shall have the casting vote in the event of a tie.

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2. Audit and Control Committee members may grant its representation to another member of the Committee. Representation shall be granted in writing specifically for each meeting.
3. In case of conflicts of interest, the Committee member affected must abstain from participating in the deliberation and voting on resolutions or decisions in which such member or a person related thereto has a direct or indirect conflict of interest.

**Article 9. Committee meeting minutes**

1. The conclusions and proposals drawn up at Audit and Control Committee meetings, which shall be signed by the Chairman and the Secretary or, where applicable, by whoever replaces them in the performance of their functions, shall be placed on record in the minutes. [qualified electronic signatures or advanced electronic signatures may be used.](#)
2. A copy of the Committee meeting minutes shall be sent to all members of the Board of Directors.

**Article 10. Access to information and advice**

1. The Audit and Control Committee may access in an appropriate, timely and sufficient manner any information or documentation that the Company has relating to matters of its competence, provided it is deemed necessary to carry out its functions.
2. Additionally, the Committee may engage, at the expense of the Company, the collaboration with or advisory services of external professionals when deemed necessary or appropriate to better perform its functions.

**Article 11. Means and resources**

1. The Audit and Control Committee shall approve a regular training plan that ensures the knowledge of the members of the Audit and Control Committee is up to date. A welcome programme for new members shall also be provided.
2. In order to fulfil its functions, the Audit and Control Committee shall have the necessary means and resources at its disposal for an independent performance. Resources needs must be channelled through the Secretary of the Company's Board of Directors.

**Article 12. Relationships of the Audit and Control Committee with the Board, the external auditor and the internal auditor**

1. The Audit and Control Committee must establish an effective and regular communication channel with its usual partners, which will normally correspond to the Chairman of the Committee and, among others, with:
  - a) Company's management, in particular, corporate management and financial management;
  - b) the head of internal audit; and
  - c) the main auditor responsible for the audit.



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2. In any event, communication between the Audit and Control Committee and the external auditor must be fluid, continuous and in accordance with the regulations governing audit activities, and must not compromise the auditor's independence or the effectiveness with which the audit is carried out or the audit processes are conducted.
3. The Committee shall report the business transacted and account for the work performed at the first plenary session of the Board of Directors subsequent to its meetings.
4. The Chairman of the Committee shall act as the spokesperson at the Board of Directors meetings and, where applicable, at the Company's General Shareholders' Meeting.

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### **ANNEX III**

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**Appointments and Remuneration Committee Regulations**  
**of**  
**Lar España Real Estate SOCIMI, S.A.**

Madrid, 1~~2~~<sup>5</sup> December 20~~19~~<sup>20</sup>

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

1. The Appointments and Remuneration Committee of the Board of Directors of Lar España Real Estate SOCIMI, S.A. (hereinafter, the “**Company**”) is formed in accordance with that set forth in the Spanish Corporate Enterprises Act and in Article 43 of the Bylaws and Article 15 of the Company’s Board of Directors Regulations.
2. The purpose of these Appointments and Remuneration Committee Regulations, approved by the Company’s Board of Directors, is to establish the rules regarding the organisation and functioning of its Appointments and Remuneration Committee, implementing, with regard to that deemed appropriate to better carry out its functions, the provisions of the Bylaws and the Board of Directors Regulations based on good governance recommendations and criteria established by the Spanish National Securities Market Commission; all taking into account the characteristics of the Company and its Group and the necessary contextualization of these recommendations within the framework of the proportionality principle.
3. With regard to that not expressly envisaged in these Regulations, the provisions set forth by the Committee itself shall apply, and that established in the Bylaws and the Board Regulations regarding the functioning of the Board of Directors shall also be applicable to the extent possible given its nature and functions.

#### **Article 2. Interpretation, amendment and dissemination**

1. The Appointments and Remuneration Committee shall take into account the applicable legislation and the good governance recommendations and criteria established by supervisory bodies and, in particular, by the Spanish National Stock Market Commission in applying and interpreting these Regulations, always in accordance with the proportionality principle therein established.
2. The Regulations shall be reviewed on a regular basis by the Board of Directors, taking into account the proposals put forward in this regard by the Appointments and Remuneration Committee, and shall be available to shareholders and the market in general through their publication on the Company’s website.

#### **Article 3. Composition of the Appointments and Remuneration Committee**

1. The Board of Directors shall form an Appointments and Remuneration Committee, on a permanent basis, that will be composed by a minimum of three and a maximum of five directors. They will be proposed by the Chairman of the Board and appointed by the Board of Directors amongst the external directors, trying that the majority of them are independent directors.
2. The members of the Appointments and Remuneration Committee will have the appropriate knowledge, aptitudes and experience for the functions they are called on to perform and, when possible attending to the proportionality principle, the Board will (i) endeavour that the members, as a whole, are appointed taking into account their knowledge of and

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experience in fields such as human resources, selection of directors and senior managers and design of remuneration policies and plans; and (ii) favour diversity in relation to gender, professional experience, skills, personal abilities, sectoral knowledge or international experience; all of this taking into account the limitations arising from the smaller size of the Commission when compared to the Board.

3. The Directors who form part of the Appointments and Remuneration Committee shall hold office for as long as their appointment as Directors of the Company remains in force, unless the Board of Directors decides otherwise.

#### **Article 4. Committe positions**

1. The Board of Directors shall appoint the Chairman of the Committee from among the independent Directors that form part thereof.
2. The position of Secretary and Deputy Secretary of the Appointments and Remuneration Committee shall be held by the Secretary and Deputy Secretary of the Board of Directors.

The Secretary or, where applicable, the Deputy Secretary must assist the Chairman of the Committee in planning the meetings and gathering and providing the necessary information sufficiently in advance, drawing up the minutes of the meetings.

#### **Article 5. Functions of the Appointments and Remuneration Committee**

1. Without prejudice to any other tasks that may be assigned at any given time by the Board of Directors, the Appointments and Remuneration Committee shall exercise the following basic functions:

- a. Competences with regard to the composition of the Board of Directors and its Committees

- i. Advise and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, in particular, evaluate the necessary competences, knowledge and experience in the Board of Directors. To this end, the Board will define the necessary functions and skills of candidates who will cover each vacancy and will evaluate the time and dedication needed for to properly perform their duties, ensuring that non-executive directors have sufficient time available for the proper performance of their duties.

To this end, the Committe shall draw up and regularly update a matrix of the competencies necessary for the board that will define the skills and knowledge of the candidates to become director, particularly those of executive directors and those of independent directors.

- ii. ~~—establish~~ Shall ensure that in the promotion of new vacancies or the nomination of new directors, the selection procedures do not include implicit processes that might imply any discrimination and, in particular,

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- that might impede the selection of women. In particular, will be established a representation goal for the less represented sex on the Board of Directors and ~~provide~~will be provided guidelines on how to achieve such goal.
- iii. ~~p~~Proposing to the Board the directors' diversity policy ~~based, among others, on criteria related to age, disability, knowledge, professional experience and gender. and member selection. Likewise, will be Drawn up the report referred to article 5.6 of the Regulations of the Board of Directors and will be verified, annually, compliance with the policy of diversity Board of Directors and selection of directors, reporting on this in the Annual Corporate Governance Report.~~
- iv. To ensure, annually, compliance with the criteria for promoting diversity in the composition of the Board of Directors established by the Company, which will be reported in the Annual Corporate Governance Report.
- v. Advise the Board of Directors about the most appropriate configuration of the Board of Directors and of its committees, both in size and balance between the different classes of members at all times. To this end, the Committee will regularly review the structure of the Board of Directors and of its committees, particularly when vacancies occur in these bodies.
- vi. ~~iv.~~ Verify periodically the Directors' category.
- vii. ~~v.~~ Inform of or draw up proposals with regard to nomination or removal of the members who should form part of each of the committees.
- b. Competences related to the selection of candidates to become board members and senior managers
- i. Select the possible candidates to be, as applicable, nominated as board members of the Company and presenting its proposals or reports, as applicable, to the Board of Directors via its Chairman.
- ii. Bring to the Board of Directors the nomination proposals (for its decision or for submission to the decision of the General Shareholders Meeting) for the nonexecutive members and the re-election proposals for such directors by the General Shareholders Meeting.
- iii. Inform the Chairman of the Board of Directors of the nomination proposals (for approval or for submission for decision of the General Shareholders Meeting) of the remaining members and the re-election proposals for such directors by the General Shareholders Meeting.
- ~~vi. — Draw up the report referred to article 5.6 of the Regulations of the Board of Directors and verify, annually, compliance with the member selection policy, reporting on this in the Annual Corporate Governance Report.~~

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- ~~vii. To ensure, annually, compliance with the criteria for promoting diversity in the composition of the Board of Directors established by the Company, which will be reported in the Annual Corporate Governance Report.~~
  - iv. ~~In particular, the Committee shall ensure that in the promotion of new vacancies or the nomination of new directors, the selection procedures do not include implicit processes that might imply any discrimination and, in particular, that might impede the selection of women.~~ Inform of the proposals of the Chairman of the Board of Directors or from the CEO, if any, for the appointment and removal of senior managers.
- c. Competences related to and to the process for appointing internal positions of the Board of Directors
- i. Inform of the proposals with regard to the appointment or removal of the Chairman of the Board of Directors.
  - ii. Advise of proposals of the Chairman of the Board of Directors regarding the appointment or removal of the CEO.
  - iii. Examine or organize the succession of the Chairman of the Board of Directors and of the CEO of the Company, if any, and, as applicable, making proposals to the Board of Directors such that this succession occurs in an orderly and planned way, drawing up a succession plan for that purpose..
  - iv. Advise of the proposals of the Chairman of the Board of Directors related to nomination or removal of the Deputy Chairman or Deputy Chairmen of the Board of Directors.
  - v. Bring to the Board of Directors the proposal of nomination of a lead nonexecutive director especially allowed in the event that the Chairman of the Board of Directors exercises executive functions, and inform of proposals for his/her removal.
  - vi. Advise of the proposals of the Chairman of the Board of Directors related to nomination or removal of the Secretary and, as applicable, of the Deputy Secretary or Deputy Secretaries of the Board of Directors, of the Secretary General and of the Legal Counsel.
- d. Competences related to the evaluation of board members
- i. Establish and oversee an annual programme of continuous evaluation and review of the qualification, education and, as applicable, independence, as well as maintenance of the terms needed to exercise the role of board member and committee member, and proposing to the Board of Directors those measures it considers appropriate in this regard.
- In particular, will periodically design and organize knowledge update programs for directors.



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- ii. Conduct in collaboration with the Chairman of the Board and with the support of the coordinating director, where appropriate, the annual evaluation of its own functioning and that of its committees including the evaluation of the performance of the Chairman of the Board of Directors and of the Chief Executive Officer, if any, and submit to the board the results of its evaluation together with a draft action plan and recommendations to correct any deficiencies identified or to improve the functioning.
- e. Competences related to the withdrawal and termination of board members
  - i. Inform the Board of Directors about proposals for removal of non independent directors due to breach of the duties inherent in the role of member or where the circumstances of mandatory dismissal or termination according to applicable law and to the Company's regulations have been incurred.
  - ii. Propose to the Board of Directors the removal of independent directors due to breach of the duties inherent in the role of member or where the circumstances of mandatory dismissal or termination according to applicable law and to the Company's regulations have been incurred.
- f. Competences related to remuneration of directors and senior managers
  - i. Propose to the Board of Directors the remuneration policy applicable to directors and senior managers.
  - ii. Regularly review the members reward policy and senior managers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior managers in the company, ensuring its compliance and proposing modifications and updates to the Board of Directors.
  - iii. Propose to the Board of Directors the individual remuneration of non-executive directors, taking into consideration the functions and responsibilities attributed to each director.
  - iv. Propose the individual remuneration of the executive officers and the other basic terms of their contracts for approval by the Board of Directors, including any compensation that may be fixed for early termination in their functions and the amounts to be spent by the Company on insurance premiums or savings system contributions, always in compliance with the Company's internal standards and, in particular, in accordance with the remuneration policy approved by the General Shareholders Meeting.
  - v. Inform of and submit to Board of Directors the proposals of the Chairman of the Board of Directors or the Chief Executive Officer, if any, related to the

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senior managers' reward structure and the basic terms of their contracts, including any compensation that may be fixed for departure.

- vi. Review the terms and conditions of the contracts of executive directors and senior management and verify that they are consistent with current remuneration policies
  - vii. Oversee observance of the Company's remuneration programmes and advising on the documents to be approved by the Board of Directors for general disclosure about remuneration information, including the annual report on members' remuneration and the corresponding part of the Company's corporate governance annual report.
  - viii. Inform, in advance and prior to approval by the competent company body, the remuneration established for the non-executive members of other companies in the group.
- g. Competence related to ~~corporate social responsibility and~~ sustainability in environmental and social aspects
- i. ~~Be aware of, promote, guide and supervise~~ Supervise the Company's action in ~~matters of corporate social responsibility and sustainability and~~ environmental and social matters are in accordance with the established strategy and policy, and report on them to the Board of Directors or, as applicable, to the Executive Committee.
  - ii. ~~Review the Company's corporate social responsibility ensuring it is geared towards creating value, including the monitoring and evaluation of the same and supervising and supervising its degree of compliance. The report issued, as applicable, by the Appointments and Remuneration Committee about the Company's corporate social responsibility policy will be produced using any of the internationally accepted methodologies and will be provided to shareholders and investors via the web page of the Company with sufficient notice prior to the Ordinary General Meeting. Supervise and evaluate processes for different interest groups.~~ Evaluate and review periodically the Company's sustainability in environmental and social areas policy, in order to fulfil its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of different stakeholders, and supervising its degree of compliance.

Environmental and social sustainability policies should identify and include, at least: (i) the principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts; (ii) the methods or systems for monitoring compliance with policies, associated risks and their management (iii) the mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct; (iv) channels for stakeholders

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communication, participation and dialogue; and (v) responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

iii. Supervise and evaluate processes for different interest groups.

h. Report on the matters of Title IX of the Board of Directors Regulations, under the terms envisaged therein.

- i. Ensure that any conflicts of interest do not prejudice the independence of the external consultancy supplied to the Committee in relation with the performance of its duties.

In the performance and exercise of its functions, the Appointments and Remuneration Committee shall take into account the principles and criteria established in *Technical Guide 1/2019 on Nomination and Remuneration Committees* of the National Securities Market Commission, of 20 February 2019, without prejudice to their adaptation to the particular circumstances and characteristics of the Company and its Group always attending to the proportionality principle.

2. The Appointments and Remuneration Committee shall establish annually an action plan that shall contemplate the main activities of the Committee during the year in relation to the fulfilment of its functions, for which it shall report to the Board, to which it shall be accountable for the work carried out.

#### **Article 6. Call of the meetings**

1. The Appointments and Remuneration Committee shall meet regularly, three times per year. Additionally, the Committee shall also meet at the request of any of its members and when called by its Chairman, which must call a meeting whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever deemed appropriate for the successful performance of its functions. Whenever possible, meetings of the Committee shall be held sufficiently in advance of Board meetings.
2. The Appointments and Remuneration Committee meetings shall be called by the Secretary of the Committee or, where applicable, the Deputy Secretary, by order of the Chairman, at least three days prior to the meeting, except in cases of emergency that justify calling a meeting immediately or within less time. The call notice will be sent by letter, fax, e-mail or by any other means that provide evidence of receipt.
3. The call notice shall always include the agenda of the meeting and will be accompanied by the necessary information, without prejudice to the fact that in certain circumstances all or part of the information may be provided at the meeting itself.

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## **Article 7. Meetings**

1. Appointments and Remuneration Committee meetings shall be held, in accordance with its annual work plan, at the Company's registered office or at any location previously designated by the Chairman and indicated in the call notice.
2. Committee meetings may be held through multiconference calls, videoconference or any other similar systems such that one or several members may attend the meeting through the indicated system. For such purpose, the call notice of the meeting, in addition to indicating the location where the actual meeting will take place, must mention that members may also attend the meeting through conference calls, videoconference or an equivalent system, whereby the technical means necessary for such purpose must be indicated and available, which in any case must enable direct and simultaneous communication between all attendees. The meeting shall be deemed to have been held where the highest number of directors is present and, in the event of a tie, at the registered office. The Secretary of the Appointments and Remuneration Committee must place on record in the minutes of the meetings held, in addition to those members attending the meeting in person or, where applicable, represented by another Committee member, those that attend the meeting through the multiconference call, videoconference or similar system.
3. Attendance at meetings of the Committee must be preceded by sufficient dedication on the part of its members to analyse and evaluate the information received.

Additionally, constructive discussions among its members shall be encouraged at the Committee meetings, promoting free expression and the supervisory and analysis mindset of its members, whereby the Chairman of the Committee must ensure that its members freely participate in discussions.

3. The Appointments and Remuneration Committee shall draft an annual report on its performance during the year, which will serve as the basis for the evaluation to be carried out by the Board of Directors, highlighting the main incidents, if any, that have arisen in relation to its functions. The report shall include, among other issues, the significant activities carried out during the period, and report on those that were carried out in collaboration with external experts. The report shall be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting.
4. The Appointments and Remuneration Committee may call any of the members of the management team or the Company's personnel, even ordering their appearance without the presence of another senior officer. Those called shall be obliged to attend the meetings of the Appointments and Remuneration Committee and provide their collaboration and access to the information they have available. The Committee may also require attendance at its meetings by other persons, although only by invitation of the Chairman of the Committee and only to discuss those specific items on the agenda for which they are summoned in so far as it is justified by reason of the case in question, so that such presence does not become customary practice. In this regard, care shall be taken to ensure that guests do not attend the deliberation and voting phases of the Committee.

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#### **Article 8. Constitution and adoption of resolutions**

1. The Appointments and Remuneration Committee shall be validly convened when the majority of its members are present, in person or represented, adopting resolutions by an absolute majority of votes of the members present or represented at the meeting. The Chairman of the Appointments and Remuneration shall have the casting vote in the event of a tie.
2. Appointments and Remuneration Committee members may grant its representation to another member of the Committee. Representation shall be granted in writing specifically for each meeting.
3. In case of conflicts of interest, the Committee member affected must abstain from participating in the deliberation and voting on resolutions or decisions in which such member or a person related thereto has a direct or indirect conflict of interest.

#### **Article 9. Committee meeting minutes**

1. The conclusions and proposals drawn up at the Appointments and Remuneration Committee meetings, which shall be signed by the Chairman and the Secretary or, where applicable, by whoever replaces them in the performance of their functions, shall be placed on record in the minutes, qualified electronic signatures or advanced electronic signatures may be used.
2. A copy of the Committee meeting minutes shall be sent to all members of the Board of Directors.

#### **Article 10. Access to information and advice**

1. The Appointments and Remuneration Committee may access in an appropriate, timely and sufficient manner any information or documentation that the Company has relating to matters of its competence, provided it is deemed necessary to carry out its functions.
2. Additionally, the Committee may engage, at the expense of the Company, the collaboration with or advisory services of external professionals when deemed necessary or appropriate to better perform its functions.

In particular, the Committee must transparently record any relationship or situation of conflict of interest that affects external advisors, requesting that their proposals for services include a breakdown of all possible conflicts with the Company or its directors.

#### **Article 11. Means and resources**

1. The Appointments and Remuneration Committee shall approve a regular training plan that ensures the knowledge of the members of the Committee is up to date. A welcome programme for new members shall also be provided.

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2. In order to fulfil its functions, the Appointments and Remuneration Committee shall have the necessary means and resources. Resources needs must be channelled through the Secretary of the Company's Board of Directors.

**Article 12. Relations of the Appointments and Remuneration Committee with other instances of the Company and its shareholders**

1. The Appointments and Remuneration Committee must establish an effective and regular communication channel with its usual partners, which will normally correspond to the Chairman of the Committee and, among others, with:
  - a) The Chairman of the Board of Directors;
  - b) The Coordinating Independent Director, in the event that he is not a member of the Committee; and
  - c) the Company's managers.
2. The Chairman of the Appointments and Remuneration Committee shall act as the spokesperson at the Board of Directors meetings and, when applicable, at the Company's General Shareholders' Meeting.
3. The Committee must consult the Chairman and the Chief Executive of the Company, especially on matters related to the appointment of executive directors and to the remuneration of senior managers and executive directors. Any non-executive director may approach the committee to propose candidates that it might consider suitable to cover vacancies on the Board.

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