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



Madrid, 15 December 2020

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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 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. 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 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, 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 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. 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. The call to the General Shareholders' Meeting, as well as the preparation of the agenda and the agreement proposal.
- 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. The enforcement of the Company's own shares policy as authorized by the General Shareholders' Meeting.
- h. The approval of payment of interim dividends.
- i. The appointment of directors by means of co-option and the submission of proposals to the General Shareholders' Meeting on the appointment, ratification 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. 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. The appointment and removal of CEO, if any, as well as the prior approval of the contract to be entered by the Company and the director, to whom executive functions are attributed, including those compensation items for which they could receive remuneration for the performance of those functions.
- l. The appointment and renewal of the internal positions in the Board of Directors and the members and internal positions in their committees.
- m. , The appointment and potential removal of senior managers.
- n. 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 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. 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. 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. 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 Company and its Group's transparency.
- s. The approval, following a report by the Audit and Control Committee, of the related party transactions as they are defined by applicable legislation at any time, unless its approval corresponds to the General Shareholders' Meeting.
- t. The ruling on any takeover bid made on stock issued by the Company.
- u. Its organization and functioning and, in particular, the approval and amendment of these Regulations, following a report from the Audit and Control Committee
- v. Preparing the Company's Annual Governance Report and the sustainability report or annual report, as well as the Annual Report on the Directors Remuneration.

- w. The annual evaluation of the quality and efficiency of the Board of Director's 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. Any other matter on which decision-making is reserved by the Regulations of the Board of Directors to the Board in a plenary meeting.
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. The Board will approve a diversity policy 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 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 competences required by the Board of Directors will be collated in 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 the achievement of a profitable and sustainable business in the long term, which promotes its continuity and maximization of the Company's financial value.
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 agree and review the training programmes focused on updating knowledge and skills for each director, when circumstances so advice.

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

The Board may 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 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, in the Executive Committee 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, 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 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 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. The Chairman, the Secretary, and the other members of those committees will be appointed by the Board of Directors.

**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, 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 Board of Directors aimed at safeguarding its integrity.
- iii. Oversee that the annual accounts the Board of Directors presents to the General Shareholders' Meeting 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 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, 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. 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 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 plan, ensuring that its activity focuses primarily in the main risks(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 as well as the results and monitoring of its recommendations and will submit an activities report at the end of each year.

- v. Establish and monitor a mechanism whereby employees and other persons related to the Company, such as directors, shareholders, suppliers, contractors and subcontractors can report any potentially significant irregularities within the Company or its Group, including financial and accounting 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, 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. In the case of groups, the Committee should encourage the Group auditor to take 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 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 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) a risk control and management model based on different levels (iii) the level of risk that the Company deems acceptable; (iv) the measures in place to mitigate the impact of the identified risks, should they occur; and (v) 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. 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.
    - 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. . Inform about related transactions 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.
- 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 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 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 of economic-financial, non-financial and corporate information, as well as the communication with shareholders and investors, proxy advisors and other interest groups. Likewise, will be followed the way the Company communicates and relates with small- and medium-sized shareholders.
  - v. 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.
  - vi. 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. 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.

- 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. 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 sustainability in environmental and social aspects.

- i. Supervise the Company's action in 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. 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. 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 13.4.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 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 by resolution of the General Meeting, a director departs office prior to the end of his/her term, he/she must explain 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 Company 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 Company 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. Duty of care**

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. 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 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. 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.
- 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 Appointment and 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,.
2. For purposes of these Regulations, the following terms will have the meanings set forth below:
  - 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. In any case, Directors will disclose to the Board of Directors of the Company, 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, 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 Board of Directors any shares thereof directly or indirectly held by 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 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 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 case in which they appear as investigated as well as of the procedural developments thereof.

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, attending to the particular circumstances, will decide, 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 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, 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 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. 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, biannual, and any other financial disclosures Law 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.

**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.

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