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**RESTATED TEXT OF THE REGULATIONS OF THE BOARD OF DIRECTORS OF  
“CAIXABANK, S.A.”**

*Last date of approval: February 22, 2018*

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**CHAPTER I**  
**PRELIMINARY**

**ARTICLE 1.- ORIGIN AND DUTIES**

1. These Regulations are hereby approved by the Board of Directors of CaixaBank, S.A. (hereafter, the **Company**), in fulfilment of the Law. The Regulations aim to set out the guiding principles of the Board as well as the basic rules governing its organization and functioning and the rules of conduct that apply to its members, being also applicable to its delegated corporate bodies and its internal Committees, as well as to the members that comprise them.
2. The rules of conduct set out therein for the Company Directors (hereinafter, the **Directors**) will also apply to the members of the management committee and to any other person who reports to the Board of Directors (hereinafter, the **Senior Executives**) of the Company, to the extent that said rules are compatible with the specific characteristics of the Senior Executives and with the activities that they carry out. For the purposes of these Regulations, Senior Executives will be understood to mean general directors and executives who report directly to the Board of Directors of the Company or to the Chief Executive Officer, or, if applicable, to the Executive Committee and, in all events, the Company's internal auditor.

**ARTICLE 2.- INTERPRETATION**

These Regulations develop and complete the regulatory rules that govern the Board of Directors and that are set forth in prevailing legislation and the Company's by-laws. They will be interpreted in accordance with the applicable laws and by-laws and with the principles and recommendations relative to corporate governance of listed companies.

**ARTICLE 3.- DISSEMINATION**

1. Directors and Senior Executives are required to be familiar with, comply with and enforce these Regulations. Consequently, the Secretary of the Board of Directors will provide each of them with a copy of the Regulations.
2. The Board of Directors will take the steps necessary to distribute these Regulations among the shareholders and the investing public at large. In doing so, it will use the most efficient means available to ensure that these Regulations reach the intended recipients immediately and smoothly.

## CHAPTER II

### DUTIES OF THE BOARD OF DIRECTORS

#### ARTICLE 4.- DUTIES OF THE BOARD OF DIRECTORS

1. Apart from those issues reserved by Law or the By-Laws to the General Shareholders' Meetings, the Board of Directors is the Company's highest decision-making body, that shall be the competent body for passing resolutions with regard to any matter and shall be empowered with the broadest powers and faculties to manage and represent the Company.

The Board of Directors shall also approve and supervise the strategic and management guidelines that are provided in the interest of each and every one of the Group companies of which the Company is the dominant entity, in order to establish the basis for an adequate and efficient coordination between the Company and the other companies belonging to the Group. The governing bodies of each company shall be responsible for the ordinary, effective and day-to-day management and administrative duties related to their respective businesses or activities, pursuant to each company's corporate interest and the applicable regulations to each case.

2. The Board should ensure that the Company abides by current law in its dealings with stakeholders; fulfils its explicit and implicit contracts and obligations in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles the Company has subscribed to voluntarily.
3. The Board of Directors should define a corporate governance system to guarantee healthy and prudential management of the Company, and that will include an adequate distribution of duties in the organization and prevent conflicts of interests, assuring the application of the mentioned system and periodically controlling and evaluating its efficiency, taking if applicable adequate measures to resolve any possible differences.
4. In particular, and notwithstanding the powers that are reserved to the full Board of Directors by Law, the By-laws or these Regulations, the following duties of the Board of Directors will be non-delegable, their approval corresponding to the complete Board of Directors, notwithstanding the effect of the conferred delegations and powers before third parties:
  - (i) Its own organization and operation and particularly the approval and modification of its own Regulations.
  - (ii) Supervision of the effective operation of the Committees it has formed and of the action of delegated bodies.
  - (iii) Effective supervision of senior management and of the executives appointed.
  - (iv) Preparation of the annual accounts and their presentation to the General Meeting.
  - (v) Preparation of any type of report required by Law from the Board of Directors if the operation referred to in the report cannot be delegated.

- (vi) The appointment and separation of the Director or executive Director of the Company, as well as establishing their contract conditions.
- (vii) The appointment and separation of the Directors that directly dependant on the Board of Directors or any of its members, as well as establishing the basic conditions for their contracts, including the remuneration.
- (viii) The decisions related to the remuneration of the Directors, within the framework of the By-laws and of the remuneration policy approved by the General Meeting.
- (ix) The authorization or exemption of the obligations derived from the due loyalty of the Directors according to that established in Law
- (x) The call for the General Shareholders Meeting and the preparation of the agenda and proposal of agreements.
- (xi) The powers that the General Meeting has delegated on the Board of Directors, except if being expressly authorized by the General Meeting to sub-delegate them.
- (xii) The determination of the general policies and strategies of the Company and, particularly, of the risk management and control policy, including tax risks, the corporate governance policy, the policy related to its own shares, the investment and financing policy, the corporate responsibility policy and the dividends policy. Considering its duties to define strategic and management guidelines for the companies within CaixaBank's Group, as well as to supervise and monitor the implementation of such guidelines, the Board will establish systems for communicating and exchanging necessary information, while safeguarding the scope of each company's ordinary management and administration, pursuant to their corporate interest.
- (xiii) Monitoring, control and periodical evaluation of the corporate governance system efficiency and the adoption of adequate measures to resolve, if applicable, its deficiencies
- (xiv) The responsibility of the Company administration and management, the approval and monitoring of the strategic or business plan, as well as the application of strategic and management objectives, and its risks strategy and internal governance.
- (xv) Guarantee the integrity of the accounting and financial information systems, including the financial and operational control and compliance with applicable legislation.
- (xvi) Supervise the information distribution process and the communications derived from its condition as a credit entity.
- (xvii) Supervision of internal information and control systems
- (xviii) Approval, with the previous report from the Audit and Control Committee, of the financial information that, due to its condition as listed company, the Company should periodically make public.

- (xix) Approval of the annual budget
  - (xx) Definition of the structure of the Group of companies of which the Company is the dominant company.
  - (xxi) Approval of all types of investments or operations that due to their elevated amounts or special characteristics are strategic or have special tax risk, except when their approval corresponds to the General Meeting.
  - (xxii) Determination of the Company tax strategy, the approval, with the previous report from the Audit and Control Committee, of the incorporation or acquisition of shares of special purpose entities or those resident in countries or territories considered tax havens, as well as the approval of any other analogue transactions or operations that, due to their complexity, could undermine the Company and Group transparency.
  - (xxiii) Approval, with the previous report from the Audit and Control Committee of the operations that the Company or companies of its group perform with Directors, in terms established by Law, or when the authorization corresponds to the Board of Directors, with shareholders holding (individually or in concert with others) a significant stake, including shareholders represented in the Board of Directors of the Company or of other companies forming part of the same group or with persons related to them (***Related Party Transactions***). The operations that simultaneously meet the following three characteristics will be exempt from the need of this approval:
    - a. they are performed pursuant to contracts with standardized conditions and applied in mass to a large amount of clients;
    - b. they are performed at prices or rates, generally established by the party acting as the provider of the relevant good or service; and
    - c. their amount does not exceed one per cent (1%) of the annual revenue of the Company.
5. The Board of Directors cannot delegate the powers and duties contained in the previous section 4, or any other powers or duties that may be considered as non delegable by the applicable regulations. Nevertheless, when circumstances of duly justified urgencies concur, the decisions corresponding to the subjects previously mentioned as non-delegable may be adopted by delegated persons or bodies, with the exception of those indicated in sections (ii) to (xvi), both included, of the previous section 4, which could not be delegated under any circumstance.
- The decisions that under urgent circumstances may be adopted by delegated persons or bodies in relation to any of the matters considered as non-delegable should be ratified in the first Board of Directors held after the adoption of the decision.
6. The Board of Directors will ensure that the Company fulfils its ethical duties and its obligation to act in good faith.
7. The Board of Directors will also ensure that no shareholder receives privileged treatment vis-à-vis the others.

## CHAPTER III

### COMPOSITION OF THE BOARD

#### ARTICLE 5.- QUALITATIVE COMPOSITION

1. When exercising its powers to propose appointments to the General Shareholders' Meeting and co-opt directors to cover vacancies, the Board shall endeavour to ensure that external Directors or non-executive Directors represent a broad majority over executive Directors and that the latter should be the minimum.

For these purposes, "executives" will be understood to mean the Chairman, if executive duties have been delegated to him; the Chief Executive Officers; and those persons who by virtue of any other title fulfil management responsibilities within the Company or its Group, whatever is the legal link between them.

2. The Board will also strive to ensure that the majority group of non-executive Directors includes stable significant shareholders of the Company or those shareholders that have been proposed as Directors, even when their shareholding is not significant (stakeholder Directors) and persons of recognized experience who can fulfil their duties without being conditioned by relationships with the Company or its Group, its directors or its significant shareholders (independent Directors). The above definitions of Directors' profiles will be interpreted in line with the definitions established by Law and in the recommendations of good corporate governance that are applicable at any given time.
3. It will also strive to ensure that its external Directors include stakeholder and independent directors who reflect the existing proportion of the Company's share capital represented by stakeholder Directors and the rest of its capital and that at least one third of the Company's Directors are independent Directors.

No shareholder may be represented in the Board of Directors by a number of proprietary directors that exceeds forty percent of the total number of members of the Board of Directors, notwithstanding the proportional representation right to which the shareholders are entitled to in the terms set forth in the Law.

4. The general composition of the Board of Directors as a collective should meet sufficient knowledge, powers and experience in the governance of credit entities to adequately understand the Company's activities, including its main risks and assure the effective capability of the Board of Directors to take decisions independently and autonomously for the benefit of the Company, fulfilling the suitability requirements demanded by the applicable regulations.
5. Likewise, the Board of Directors will strive to ensure the compliance with the regulation of incompatibilities established in the applicable regulation, as well as that the selection procedures of its members favour the diversity of gender, of experiences and knowledge and not suffering from implicit bias that can imply any discrimination and, particularly facilitating the selection of female directors.

#### **ARTICLE 6.- QUANTITATIVE COMPOSITION**

1. The Board of Directors will be composed of the number of Directors determined by the General Shareholders' Meeting, within the limits set in the Company's corporate by-laws.
2. The Board will propose to the General Shareholders' Meeting the number of Directors that, in accordance with the Company's changing circumstances, is most appropriate to ensure the due representativeness and proper functioning of the Board.

### **CHAPTER IV**

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

#### **ARTICLE 7.- CHAIRMAN OF THE BOARD OF DIRECTORS**

1. The Chairman of the Board of Directors shall be elected from among its members, with the previous report from the Appointments Committee and shall have the powers and authorities provided by Law, the Company's By-laws, these Regulations and any others entrusted to him/her by the Board.
2. The Chairman, who has the maximum responsibility for the effective functioning of the Board of Directors, will be responsible for providing support to the Board in the performance of its powers and for promoting the coordination of the Board with its Committees in order to guarantee the best performance of the Board's functions, and, amongst others, will carry out the following powers, notwithstanding those of the Chief Executive Officer and any powers of attorney or representations by proxy that have been established:
  - (i) Represent institutionally the Company and any entities dependent on the Company, without prejudice to the functions attributed in this area to the Board of Directors.
  - (ii) Chair and direct General Shareholders' Meetings, establishing limits on remarks for and against all proposals and also establishing their duration.
  - (iii) Call, fix the agenda and chair meetings of the Board of Directors, directing the discussions and deliberations, with the same powers as stipulated in the preceding paragraph. He may also enact any resolutions by this body, with no need for any special delegation format.
  - (iv) Ensure that the Directors receive in advance sufficient information to deliberate about the points of the agenda and stimulate the debate and active participation of the Directors during the sessions, safeguarding their free taking of position.
  - (v) He holds the casting vote in the event of a tie during meetings of the Board of Directors over which he presides.
  - (vi) Act on behalf of the Company vis-à-vis corporate bodies and other bodies in the sector, pursuant to the provisions of these By-laws.

- (vii) Authorize the minutes, certifications and other documents concerning resolutions by the General Meeting, the Board of Directors and, where applicable, any Committees he chairs, and act on behalf of the Company to implement such resolutions vis-à-vis regulatory bodies, notwithstanding attributions to other bodies.
  - (viii) Be responsible for the official signature of the Company, and thus sign on behalf of the Company, following any agreements that are necessary for legal or statutory reasons, contracts, accords or other legal instruments with public bodies and other entities.
  - (ix) Ensure compliance with current legal stipulations, the precepts of these By-laws and of the Regulations and resolutions by the collegiate bodies over which he presides.
  - (x) Official representation of the Company vis-à-vis authorities, entities and third-party Spanish or foreign bodies. He may delegate this representative function to other members of the Board, to the Chief Executive Officer, or to a member of the Company's management staff.
3. In view of the special relevance of its mandate, the Board of Directors may appoint as Chairmen of Honour any persons who have held the post of Chairman of the Board, granting them the honorary representation of the Company for any functions expressly entrusted to them by the Chairman of the Board. By way of exception, Chairmen of Honour may attend Board meetings when invited by the Chairman and, apart from their duties of honorary representation, may provide advice to the Board and its Chairman and collaborate towards enhancing the relationship of the shareholders with the Company's governing bodies and of the shareholders among themselves. The Board of Directors shall place at the Chairmen of Honour's disposal all the technical, material and human resources it deems appropriate so that that they may adequately and relevantly perform their duties.

#### **ARTICLE 8.- VICE-CHAIRMAN**

1. The Board of Directors, with the previous report from the Appointments Committee must, without exception, appoint a Vice-Chairman to replace the Chairman in his/her absence, as occurs in the event of vacancy, incapacity or leave.
2. The Board may also appoint, with the previous report from the Appointments Committee additional Vice-Chairmen, in which case the duties of the Chairman will fall, in his/her absence, as occurs in the event of vacancy, leave or incapacity to the First Vice-Chairman, who in turn will be replaced, if necessary, by the Second Vice-Chairman in the same cases, and so on, successively, and in the absence of these, by the Coordinating Director and, in the event of vacancies, leave or impossibility of the Coordinating Director by the oldest member of the Board of Directors.

#### **ARTICLE 9.- THE COORDINATING DIRECTOR**

1. Upon receipt of the relevant report from the Appointments Committee and with the abstention of the executive Directors, the Board of Directors will appoint a Coordinating Director, from amongst the independent Directors.



The position of Coordinating Director will be compatible with that of member of the Board's Committees.

2. Without prejudice to any other powers that may be delegated to the Coordinating Director by the Board of Directors, or those powers legally assigned to the Coordinating Director in the event of the Chairman of the Board being an executive Director, the Coordinating Director shall be empowered to:
  - a) Chair the Board of Directors in the absence of the Chairman and Vice-Chairmen.
  - b) Request the Chairman of the Board of Directors to call meetings of the Boards, as well as to include new items on the agenda when a Board meeting has already been called.
  - c) Coordinate, gather and give voice to the concerns of the independent Directors.
  - d) Lead the periodic evaluation of the Chairman of the Board by the Board of Directors. And also, coordinate the succession plan for the Chairman, in collaboration with the Chairman of the Board of Directors.
  - e) Maintain contact, where appropriate, with investors and shareholders to consider their positions and develop an opinion of their concerns, in particular, with regard to the Company's corporate governance, all within the framework of the Company's policy on information, communication and contact with shareholders, institutional investors and proxy advisers.
3. The term of office for the position of Coordinating Director shall be (3) years and may be re-elected for periods of equal length, notwithstanding that the appointment of such position may also be done for the years remaining in the term for which the Coordinating Director was appointed Director. In addition to the expiration of the term for which the Coordinating Director was appointed, the Coordinating Director will be removed when: his term as Director expires, when the individual ceases to be an independent Director, or when the Board of Directors, with the previous report from the Appointments Committee, decides to remove him from the position.

#### **ARTICLE 10.- THE SECRETARY OF THE BOARD OF DIRECTORS**

1. The Board of Directors will elect a Secretary, and one of the members of the Board of Directors or a person unrelated to it who has the capacity to perform the duties inherent to said position may be appointed. If the Secretary of the Board of Directors is not a Director, he will have the right to speak but not to vote.

If the Secretary simultaneously holds the post of legal advisor, a legal professional must be appointed.

2. The Secretary of the Board of Directors will assist the Chairman with his work and, particularly, will (i) process the convening of the Board, following the instruction of the Chairman; (ii) keep the documentation of the Board of Directors, record in the books of the minutes the development of the meetings and attest to its content and the resolutions passed; (iii) ensure that the actions of the Board of Directors adapt to the applicable regulations and comply with the By-laws and other internal regulations; and (iv) assist the

Chairman in order for the Directors to receive the significant information to exercise their function sufficiently in advance and in the proper format.

3. The Secretary shall be appointed and, as the case may be, removed, by the Board acting as a plenary body, subject to a report, in both cases, of the Appointments Committee.

#### **ARTICLE 11.- THE VICE-SECRETARY OF THE BOARD OF DIRECTORS**

1. The Board of Directors may appoint a Vice-Secretary, who need not be a Director, to assist the Secretary of the Board of Directors or to replace the Secretary in his absence, as occurs in the event of vacancy, leave or incapacity to perform his duties for any reason.
2. Unless the Board decides otherwise, the Vice-Secretary may attend the meetings of the Board of Directors in order to assist the Secretary.
3. The Board can also appoint more than one Vice-Secretary, in which case the duties of the Secretary will fall, in absence of this latter, as occurs in the event of vacancy, leave or incapacity, on the First Vice-Secretary, who, in turn, will be replaced by the Second Vice-Secretary in the same cases, and successively, and in the absence of these latter, as occurs in the event of vacancy, leave or impossibility, by the youngest member of Board of Directors.
4. The Vice-Secretary or Vice-Secretaries will be appointed and, if applicable, separated by the full Board of Directors, with the previous report, in both cases, from the Appointments Committee.

#### **ARTICLE 12.- DELEGATION OF POWERS. COMMITTEES OF THE BOARD OF DIRECTORS**

1. Pursuant to the Company's By-laws, and without prejudice to the powers delegated individually to the Chairman or any other Director (Chief Executive Officers) and its power to establish Delegate Committees for specific spheres of activity, the Board of Directors may establish an Executive Committee with general decision-making powers but with the limitations for procedural purposes stemming from Article 4.

In all events, the Board of Directors will establish an Audit and Control Committee, an Appointment Committee, a Remuneration Committee and a Risks Committee with the powers granted by Law, the By-laws and these Regulations.

2. The Appointments Committee will evaluate the profile of the most suitable persons to sit on Committees other than the Appointments Committee itself, based on their knowledge, aptitudes and experiences, and will forward their proposals for the appointment of the members of the Committees other than the Appointments Committee itself to the Board. In all cases it shall take into consideration the suggestions posed thereto by the Chairman, the Board members, the officers or the shareholders of the Company.
3. Except as set forth in law, in the By-laws and in these Regulations, the Committees may be self-governing. Matters not specifically defined will be governed by the rules of procedure stipulated in these Regulations regarding the Board, provided that said rules are consistent with the nature of duties of the corresponding Committee.

4. In addition, the Board may establish other Committees with consultative or advisory duties, and these Committees may, nevertheless, be exceptionally given decision-making powers.

#### **ARTICLE 13.- THE EXECUTIVE COMMITTEE**

1. The Board of Directors may appoint, from among its members, an Executive Committee, on which the Chairman and the Chief Executive Officer, if any, will sit.
2. If the Board of Directors creates an Executive Committee, it will establish the composition thereof, which will reflect the composition of the Board, and the Board will determine the rules of operation of the Executive Committee.
3. The powers of the Executive Committee will be those that, in each case, are delegated by the Board, with the limitations set forth in the Law, in the Company's By-laws and in these Regulations.
4. The Executive Committee will meet as often as it is called by its Chairman or whoever replaces him/her in his/her absence, as occurs in the event of vacancy, leave, or incapacity, and will be validly assembled when the majority of its members attend the meeting, either personally or by representation.
5. The appointment of members of the Executive Committee and the permanent delegation of powers from the Board on the same will require the favourable vote of at least two thirds of the members of the Board of Directors.
6. The Executive Committee will inform the Board of the main matters it addresses and the decisions it makes thereon at its meetings.
7. The Chairman and Secretary of the Board of Directors will also be the Chairman and Secretary of the Executive Committee.
8. The resolutions of the Committee will be adopted by the majority of the members attending the meeting in person or represented by proxy and will be validated and binding without the need for later ratification by the full Board of Directors, notwithstanding that foreseen in article 45 of these Regulations.

#### **ARTICLE 14.- THE AUDIT AND CONTROL COMMITTEE AND THE RISKS COMMITTEE**

1. The Audit and Control Committee:
  - a) The Audit and Control Committee will be formed exclusively by non-executive Directors in the number that is determined by the Board of Directors, between a minimum of three (3) and a maximum of seven (7). The majority of the members of the Audit and Control Committee will be independent Directors, and one (1) of them will be appointed on the basis of knowledge and experience of accounting or auditing, or both.

Additionally, the Board of Directors will endeavour to ensure that the Audit and Control Committee members, and its Chairperson in particular, possess the necessary accounting, auditing or risk management knowledge and knowledge in any other fields that may be relevant for the Audit and Control Committee's performance of its functions.

As a whole, without prejudice to endeavouring to encourage diversity, the Audit and Control Committee members, who will be appointed taking into account their necessary dedication capacity with regard to performing the duties entrusted to them, must have the relevant technical knowledge in relation to the Company's business.

- b) Notwithstanding any other task, which may be assigned thereto from time to time by the Board of Directors, the Audit and Control Committee shall exercise the following basic functions:

With regard to overseeing financial reporting:

- (i) to report to the General Shareholders' Meeting about matters posed by shareholders that are competence of the Committee and, in particular, about the audit results, explaining the audit's contribution to the integrity of the financial reporting and the role undertaken by the Committee in this process;
- (ii) to oversee the process of drawing up and submitting the obligatory financial reporting with regard to the Company and, where the case may be, the Group, reviewing the Company's accounts, the compliance with the regulatory requirements in this regard, the suitable definition of the scope of consolidation and the correct application of generally accepted accounting principles. And, in particular, to know, understand and oversee the effectiveness of the financial information internal control system (FIICS), drawing conclusions with regard to the system's level of confidence and reliability, and to inform of the proposals for modification of accounting principles and criteria suggested by the management, in order to guarantee the integrity of the accounting and financial information systems, including financial and operational control, and compliance with the applicable legislation in this regard. The Committee may submit recommendations or proposals to the Board of Directors with the aim of safeguarding the integrity of the mandatory financial reporting;
- (iii) to ensure that the Board of Directors endeavours to submit the Annual Accounts to the General Shareholders' Meeting with no limitations or reservations in the audit report, and that in the exceptional case of there being any reservations, that both the Committee Chairperson and the auditors clearly explain the content and scope of the said limitations or reservations to the shareholders;
- (iv) to inform the Board of Directors in advance of the financial reporting and the related non-financial reporting that the Company must periodically publicly disclose to the markets and their supervisory bodies;

With regard to overseeing internal control and internal auditing:

- (v) to oversee the effectiveness of the internal control systems, and to discuss with auditors of accounts any significant weaknesses in the internal control system identified during the course of the audit, all without jeopardising their independence. For such purposes, where the case may be, they may submit recommendations or proposals to the Board of Directors, together with the corresponding follow-up periods;

- (vi) to oversee the effectiveness of the internal auditing, and in particular that the internal audit unit endeavours to ensure the correct functioning of the reporting and internal control systems, verifying their suitability and integrity; to ensure the independence and effectiveness of the internal audit function, proposing the selection, appointment, re-election and cessation of the person responsible for it; to propose the budget for this service; to approve its approach and its work plans, ensuring its work is mainly geared to the Company's significant risks; to receive periodical reporting on its activity and to verify that the senior management is taking into account the conclusions and recommendations in its reports; and to conduct an annual assessment of the functioning of the internal audit unit and the performance of its duties by the person responsible, for which purpose it will gather any opinions the executive management may have, and this assessment must include an evaluation of the degree of compliance with the objectives and criteria established for setting the variable components of its remuneration, the Committee also being involved in determining such components.

The person responsible for the unit in charge of the internal audit function will submit its annual work plan to the Committee, inform of any incidents arising on carrying it out and submit a report on its activity at the end of each financial year.

The Internal Audit Department will be functionally dependent on the Chairperson of the Audit and Control Committee, without prejudice to the fact that it must report to the Chairperson of the Board of Directors so that the latter may suitably perform its functions;

- (vii) to establish and oversee a mechanism enabling the Company's employees, or those of the group to which it belongs, to confidentially (and anonymously, if deemed appropriate) notify of any potentially significant irregularities they may observe within the Company, particularly those of a financial and accounting nature, receiving periodical reporting on its functioning and being able to propose the relevant measures for improvement and reduction of the risk of irregularities in future;

*With regard to overseeing risk management and control:*

The Audit and Control Committee will carry out the functions established in this section in coordination with the Risk Committee to the necessary extent.

- (viii) to oversee the effectiveness of the financial and non-financial risk management systems;
- (ix) to hold a meeting at least once a year with the leading persons responsible for the business units at which the latter will explain the trends of the business and the associated risks;

*With regard to the accounts auditor:*

- (x) to submit to the Board of Directors, for submission to the General Shareholders' Meeting, the proposals for selection, appointment, re-election and replacement of the accounts auditor, being responsible for the selection process, in accordance with regulations applicable to the Company, as well as the contracting conditions

thereof and the scope of his/her professional mandate, and for this purpose, it must define the auditor selection procedure and issue a reasoned proposal containing at least two alternatives for the selection of an auditor, except in cases of the auditor's re-election;

- (xi) regularly recompile from the external auditor information on the auditing plan and its execution as well as preserving its independence in the exercise of its duties;
- (xii) to serve as a channel of communication between the Board of Directors and the auditors, to evaluate the results of each audit and the responses of the management team to its recommendations and to mediate in cases of discrepancies between the former and the latter in relation to the principles and criteria applicable to the preparation of the financial statements, as well as to examine the circumstances which, as the case may be, motivated the resignation of the auditor and to ensure that the Company sends a significant event notice to the Securities Market Commission (CNMV) informing of the change of auditor, accompanied by a statement regarding any possible disagreements with the outgoing auditor and, if there have been any such disagreements, of their content;
- (xiii) to establish appropriate relationships with the external auditor in order to receive information, for examination by the Audit and Control Committee, on matters which may threaten the independence of said auditor and any other matters relating to the audit process, particularly any discrepancies that may arise between the auditor and the Company management, and, where the case may be, the authorisation of any services other than those that are prohibited, under the terms set forth in the applicable legislation in relation to their independence and any other communications provided for in audit legislation and audit regulations.

In all events, on an annual basis, the Audit and Control Committee must receive from the external auditors a declaration of their independence with regard to the Company or entities related to it directly or indirectly, in addition to detailed, personalised information on additional services of any kind rendered to these entities and the corresponding fees received by the aforementioned auditors or persons or entities related to them as stipulated by the regulations governing auditing activity, ensuring that the external audit firm's remuneration for its work does not jeopardise its quality or independence and ensuring that the Company and the auditor observe the applicable legislation with regard to provision of services other than auditing services, the limitations on the auditor's business concentration and, in general, all other regulations regarding auditor independence.

- (xiv) to issue annually, prior to the issuance of the audit report, a report containing an opinion regarding whether the independence of the auditor has been compromised, which will be posted on the Company's website sufficiently in advance of the Ordinary General Meeting This report must address, in all cases, the reasoned evaluation of the provision of each and all of the additional services referred to in the preceding section, individually and collectively considered, different from the legal audit and related to the degree of independence or to the regulations governing auditing activity;

- (xv) to supervise the compliance with the auditing contract, striving to ensure that the opinion of the Annual Financial Statements and the principal contents of the auditor's report are drafted clearly and precisely;
- (xvi) to ensure that the external auditor holds an annual meeting with the Board of Directors as a plenary body, to inform it of the work carried out and the evolution of the Company's situation as regards auditing and risks;
- (xvii) to conduct a final assessment with regard to the auditor's work and how it has contributed to the quality of the audit and the integrity of the financial reporting;

Other functions:

- (xviii) to supervise the compliance with regulations with respect to Related Party Transactions and, previously, inform the Board of Directors on such transactions. In particular, to ensure that the information on said transactions be reported to the market, in compliance with the provisions of the current legislation, and to report on transactions which imply or may imply conflicts of interest and, in general, on the subject matters contemplated in Chapter IX of this Regulation.

The report on related party transactions issued by the Audit and Control Committee, where the case may be, will be posted on the Company website sufficiently in advance of the date of the Ordinary General Meeting.

- (xix) to supervise the compliance with the internal codes of conduct, particularly the Internal Rules of Conduct on Matters Related to the Securities Market and, in general, the rules of corporate governance;
- (xx) to provide the Board of Directors with advance notice of any transactions regarding structural and corporate modifications that the Company may plan to carry out, their financial terms and their accounting impact and, in particular, where the case may be, of the proposed equation of exchange;
- (xxi) to, previously, report to the Board of Directors on the creation or acquisition of stakes in special purpose entities domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of an analogous nature which, due to their complexity, may deteriorate the transparency of the Company or of the group to which it belongs;
- (xxii) to consider the suggestions submitted to it by the Chairman of the Board of Directors, Board members, executives and shareholders of the Company;
- (xxiii) to receive information and, as the case may be, issue a report on the disciplinary measures intended to be imposed upon members of the Company's senior management team;
- (xxiv) to supervise compliance with any relations protocols which the Company may sign with shareholders or which the Company may sign with companies from its Group, and the carrying out of any other action established in the actual protocols for the best compliance with the aforementioned supervisory duty; and

- (xxv) any others attributed thereto in the Law, the By-laws, these Regulations and other regulations applicable to the Company.
- c) the provisions contained in sections (iii), (v), (x), (xi), (xii), (xiii) and (xiv) above shall be understood without prejudice to the regulatory audit regulation.
  - d) The Audit and Control Committee shall meet, ordinarily on a quarterly basis, in order to review the required financial information to be submitted to the authorities, as well as the information which the Board of Directors must approve and include within its annual public documentation, with the presence of the internal auditor in such cases, and, if it issues any type of review report, the presence of the financial auditor. At least some of these meetings must be held without the presence of the management team, so that the specific matters arising from the reviews performed can be discussed.
  - e) The Audit and Control Committee shall appoint a Chairman from among its independent members. The Chairman must be replaced every four (4) years and may be re-elected once a period of one (1) year from his departure has transpired. The Committee Chairman will act as spokesperson at the meetings of the Board of Directors and, where the case may be, those of the Company's General Shareholders' Meeting;
  - f) It shall also appoint a Secretary and may appoint a Vice Secretary, both of whom need not be members thereof. In the event that such appointments are not made, the Secretary of the Board shall act as Secretary. The Secretary must help the Committee Chairman to plan its meetings and to gather and distribute the necessary information sufficiently in advance, taking the minutes of the meetings.
  - g) The Audit and Control Committee will establish an annual work plan contemplating the Committee's main activities during the financial year.
  - h) The members of the Company's management team or personnel shall be required to attend the meeting of the Audit and Control Committee and to provide it with their collaboration and access to the information available to them when the Committee so requests, and the Committee may decide that they attend without the presence of any other managers. The Committee may also request the attendance at its meetings of the Company's auditors, or that of any other persons, although they may only attend on invitation by the Committee Chairman and only for discussion of the specific agenda items for which they are called to attend.

The Audit and Control Committee must establish an effective, regular communication channel with its main contact persons, for which the Committee Chairman will normally be responsible, and, among others, with the Company management, particularly the financial management; the Internal Audit Department Manager; and the main auditor responsible for the audit of accounts. In particular, the communication between the Audit and Control Committee and the external auditor must be smooth and continuous, in accordance with the regulatory guidelines for audit activity, and must not jeopardise the auditor's independence or the effectiveness with which it carries out the audit or with which the audit procedures are developed.

- i) The Audit and Control Committee must have adequate, relevant and sufficient access to any information or documentation held by the Company and may receive advice from external experts when it deems this necessary for correctly fulfilling its functions.



j) The Company must provide the Audit and Control Committee with sufficient resources to fulfil its functions.

2. The Risks Committee:

a) The Risks Committee shall comprise exclusively non-executive Directors and who possess the appropriate knowledge, skills and experience to fully understand and manage the risk strategy and risk propensity of the entity, in the number determined by the Board of Directors, with a minimum of three (3) and a maximum of six (6) members, the majority of whom must be independent Directors.

b) Notwithstanding any other task which may be assigned thereto from time to time by the Board of Directors, the Risks Committee shall exercise the following basic functions:

(i) To advise the Board of Directors on the overall susceptibility to risk, current and future, of the Company and its strategy in this area, reporting on the risk appetite framework, assisting in the monitoring of the implementation of this strategy, ensuring that the Group's actions are consistent with the level of risk tolerance previously decided and implementing the monitoring of the appropriateness of the risks assumed and the profile established.

(ii) To propose to the Board the Group's risk policy, which shall identify in particular:

(a) The different types of risk (operational, technological, financial, legal and reputational, etc.) which the Company faces, including among the financial or economic risks the contingent liabilities and others off-balance sheet

(b) The information and internal control systems that will be used to monitor and manage these risks

(c) The level of risk that the Company considers acceptable

(d) The planned measures to mitigate the impact of the identified risks in the event that they materialise

(iii) Ensure that the pricing policy of the assets and liabilities offered to the clients fully consider the business model and risk strategy of the entity. Otherwise, the Risks Committee will submit to the Board of Directors a plan to amend it.

(iv) Determine with the Board of Directors, the nature, quantity, format and frequency of the information concerning risks that the Board of Directors should receive and establish what the Committee should receive.

(v) Regularly review exposures with its main customers, economic business sectors, geographic areas and types of risk.

(vi) Examine the information and control processes of the Group's risk as well as the information systems and indicators, which should enable:

(a) The adequacy of the structure and the functionality of risk management throughout the Group.

- (b) To know the risk exposure of the Group in order to assess whether it conforms to the profile determined by the institution.
    - (c) The availability of sufficient information to enable accurate knowledge of the risk exposure for decision-making purposes.
    - (d) The proper functioning of policies and procedures that mitigate the operational risks.
  - (vii) Evaluation of the regulatory compliance risk in its scope of action and determination, understood as the risk management of legal or regulatory sanctions, financial loss, material or reputational that the Company could suffer as a result of non-compliance with laws, rules, regulation standards and codes of conduct, detecting any risk of non-compliance and carrying out monitoring and examining possible deficiencies in the principles of professional conduct.
  - (viii) Report on new products and services or significant changes to existing ones, in order to determine:
    - (a) The risks facing the Company from their issue and their commercialisation on the market, as well as from significant changes in existing ones.
    - (b) Information and internal control systems for the management and control of these risks.
    - (c) The corrective measures to limit the impact of the identified risks in the event that they materialise;
    - (d) The means and the appropriate channels for their commercialisation in order to minimise any reputational risks and mis-marketing.
  - (ix) Cooperate with the Remuneration Committee in the establishment of rational policies and practices of remunerations. For these purposes, the Risks Committee will examine notwithstanding the functions of the Remuneration Committee, if the incentives policy anticipated in the remuneration systems take into account the risk, capital, liquidity and the probability and timing of the benefits.
  - (x) Assist the Board of Directors, particularly, regarding the (i) establishment of efficient channels of information to the Board about the risk management policies of the Company and all the important risks it faces, (ii) ensure that adequate resources will be assigned for managing risks, and, particularly, intervening in the evaluation of the assets, in the use of external credit classifications and the internal models related to these risks and (iii) the approval and periodical review of the strategies and policies for assuming, managing, supervising and reducing the risks to which the Company is or can be exposed, including those presented by the macro-economic situation in which it operates in relation to the economic cycle.
  - (xi) Any others attributed thereto by the Law, the By-laws, these Regulations and other regulations applicable to the Company.
- c) For the proper performance of its functions, the Company shall ensure that the delegated Risks Committee can access without difficulty the information concerning the risk

situation of the Company and, if necessary, specialised outside expertise, including external auditors and regulators.

The Risks Committee may request the attendance at meetings of the people that, within the organisation, have roles related to its functions, and shall have the advice that may be necessary to form criteria on matters within its competence, which shall be processed through the Council Secretariat.

- d) The Risks Committee shall appoint a Chairperson from among its members, who shall be an independent Director and may appoint a Secretary. In the absence of this latter appointment, that of the Board shall act as Secretary, or one of the Deputy Secretaries.

3. Common Regulations:

Both the Audit and Control Committee and the Risks Committee:

- a) Shall meet, without prejudice of the provisions of section 14.1.d) above, as often as necessary to fulfil their duties and shall be convened by the Chair of the Committee in question, either on his/her own initiative or at the request of the Chair of the Board of Directors or of two (2) members of the Committee itself. The meeting notice shall be given by letter, telegram, fax, e-mail, or any other means which allows keeping a record of its receipt.
- b) The Secretary of each of the Committees will be responsible for convening the same and for filing the minutes and documents submitted to the Committee.
- c) They shall be validly assembled when the majority of its members attend in person or by proxy. Resolutions shall be adopted by a majority of the members attending in person or by proxy and minutes of the resolutions adopted at each meeting shall be drawn up and such resolutions shall be reported to the Board as a plenary body, submitting or delivering a copy of the minutes to all Board members.
- d) The Committees will inform the Board of its activities and work performed via its Chairperson in the meetings scheduled for this purpose, or immediately afterwards when the Chair deems necessary.
- e) They shall prepare an annual report on their operation, highlighting the principal incidents arising, if any, in relation to the functions characteristic thereof that will serve as a base, among others, and if applicable, for the evaluation that the Board of Directors will make of the Committees functions. Furthermore, if the Committee in question considers it appropriate it will include in that report suggestions for improvement.

In particular, the Audit and Control Committee's report will include, among other content, the significant activities carried out during the period, and it will inform of those carried out in collaboration with external experts, posting them on the Company's website sufficiently in advance of the Ordinary General Meeting.

**ARTICLE 15.- THE APPOINTMENTS COMMITTEE AND THE REMUNERATION COMMITTEE**

1. The Appointments Committee and the Remuneration Committee will each be made up of the number of non-executive Directors determined by the Board of Directors, from a minimum of three (3) to a maximum of five (5) members, the majority of whom must be

independent Directors. The members of the Appointments Committee shall be appointed by the Board of Directors, at the proposal of the Audit and Control Committee. The Chairman of the Appointments Committee and the Chairman of the Remuneration Committee will be respectively appointed from among the independent Directors forming part of such Committees.

2. The Appointments Committee:

Notwithstanding other duties which may be assigned thereto by the Board of Directors, the Appointments Committee shall have the following basic responsibilities:

- (i) Evaluate and propose to the Board of Directors the evaluation of skills, knowledge and experience necessary for the members of the Board of Directors and for the key personnel of the Company
- (ii) Submit to the Board of Directors the proposals for the nomination of the independent Directors to be appointed by co-option or for submission to the decision of the General Meeting, as well as the proposals for the reappointment or removal of such Directors by the General Shareholders Meeting
- (iii) Report on the proposed appointment of the remaining Directors to be appointed by co-option or for submission to the decision of the General Meeting, as well as the proposals for their reappointment or removal by the General Shareholders Meeting
- (iv) Report the appointment and, if necessary, removal of the Coordinating Director, and of the Secretary and the Vice-Secretaries of the Board for submission for approval of the Board.
- (v) Evaluate the profile of the most suitable persons to sit on the Committees other than the Appointments Committee itself, based on their knowledge, aptitudes and experience, and forward to the Board the corresponding proposals for the appointment of the members of the Committees other than the Appointments Committee itself.
- (vi) Report on proposals for appointment or removal of senior executives, being able to effect such proposals directly in the case of senior managers which due to their roles of either control or support of the Board or its Committees, it is considered by the Committee that it should take the initiative. Propose, if deemed appropriate, basic conditions in senior executives' contracts, outside the remuneration aspects and reporting on them when they have been established
- (vii) Examine and organize, where appropriate, under the coordination of the Coordinating Director, and in collaboration with the Chairman of the Board of Directors, the succession of the Chairman, as well as examine and organize, in collaboration with the Chairman of the Board, the chief executive officer of the Company and, if appropriate, make proposals to the Board of Directors so that this succession takes place in an orderly and planned manner.
- (viii) Report to the Board on gender diversity issues, ensuring that the procedures for selection of its members favour the diversity of experience, knowledge, and facilitate the selection of female Directors, and establish a representation target

for the less represented sex on the Board of Directors as well as preparing guidelines for how this should be achieved, in any case endeavouring to ensure compliance with the diversity policy applied to the Board of Directors, which will be informed of in the Annual Corporate Governance Report.

- (ix) Evaluate periodically, and at least once a year, the structure, size, composition and actions of the Board and its Committees, its Chairperson, CEO and Secretary, making recommendations regarding possible changes to these, led by the Coordinating Director, when applicable, with regard to the evaluation of the Chairman. Evaluate the composition of the Steering Committee as well as its replacement tables for adequate provision for transitions.
- (x) Evaluate, with the frequency required by the regulations, the suitability of the diverse members of the Board of Directors and of the Board as a collective, and consequently inform the Board of Directors.
- (xi) Periodically review the Board of Directors selection and appointment policy in relation to senior executives and make recommendations.
- (xii) Consider the suggestions posed thereto by the Chairman, the Board members, officers or shareholders of the Company.
- (xiii) Supervise and control the smooth operation of the corporate governance system of the Company, making, if applicable, the proposals it deems necessary for its improvement,
- (xiv) Monitor the independence of the independent Directors
- (xv) Propose to the Board the Annual Corporate Governance Report
- (xvi) Supervise the activities of the organisation in relation to corporate social responsibility issues and submit to the Board those proposals it deems appropriate in this matter
- (xvii) Evaluate the balance of knowledge, skills, diversity and experience of the Board of Directors and prepare a description of the duties and aptitudes which may be necessary for any specific appointment, evaluating the expected dedication of time for fulfilling the position.

The Appointments Committee can use the resources it considers appropriate to develop its duties, including external assessment and can have adequate funds for these purposes.

### 3. The Remuneration Committee:

Notwithstanding other duties which may be assigned thereto by the Board of Directors, the Remuneration Committee shall have the following basic responsibilities:

- (i) Draft the resolutions related to remunerations and, particularly, report and propose to the Board of Directors the remuneration policy for the Directors and Senior Management, the system and amount of annual remuneration for Directors and Senior Managers, as well as the individual remuneration of the Executive Directors and Senior Managers, and the other conditions of their contracts,

particularly financial, and without prejudice to the competences of the Appointments Committee in relation to any conditions that it has proposed and unconnected with the retributive aspect.

- (ii) Ensure compliance with the remuneration policy for Directors and Senior Managers as well as report the basic conditions established in the contracts of these and compliance of the contracts.
- (iii) Report and prepare the general remuneration policy of the Company and in particular the policies relating to the categories of staff whose professional activities have a significant impact on the risk profile of the Company and those that are intended to prevent or manage conflicts of interest with the Company's customers.
- (iv) Analyse, formulate and periodically review the remuneration programs, weighing their adequacy and performance and ensuring compliance.
- (v) Propose to the Board the approval of the remuneration reports or policies that it has to submit to the General Shareholders Meeting as well as informing the Board concerning the proposals relating to remuneration that, where applicable, it will propose to the General Meeting.
- (vi) Consider the suggestions posed thereto by the Chairman, the Board members, officers or shareholders of the Company.

4. Common regulations:

Both the Appointments Committee and the Remuneration Committee;

- (i) May regulate their own operation, they shall elect their Chairperson among the independent Directors forming part of each of them and they may also appoint a Secretary and in the absence of a specific appointment by the Committee, the Secretary of the Board shall act as the same or, failing that, any of the Deputy Secretaries.
- (ii) Shall meet each time when considered appropriate for the good performance of their duties and the meetings will be called by their Chairperson, either by his/her own initiative, or when required by two (2) members of the Committee itself, and must do so whenever the Board or its Chair requests the issuance of a report or the adoption of a proposal.

The meeting notice shall be given by letter, telegram, fax, e-mail or any other means which allows keeping a record of its receipt.

- (iii) The Secretary of each of the Committees will be responsible for calling the meetings and of the filing of the minutes and documentation presented to the Committee.
- (iv) Minutes will be prepared of the resolutions adopted at each meeting, which shall be reported to the Board and the minutes will be available to all members of the Board in the Board Secretariat, but shall not be sent or delivered for reasons of discretion, unless the Chair of the Committee decides otherwise

- (v) The Committees shall be validly constituted with the attendance in person or represented by proxy of the majority of its members and resolutions shall be adopted by a majority of members who attend in person or by proxy.
- (vi) They will prepare an annual report on about their operation highlighting the main incidents occurred, if any, related to their duties, that will be the base, among others, and if applicable, for the evaluation made by the Board of Directors. In addition, when the relevant Committee deems it appropriate, it will include in that report suggestions for improvement.

## **CHAPTER V**

### **FUNCTIONING OF THE BOARD OF DIRECTORS**

#### **ARTICLE 16.- MEETINGS OF THE BOARD OF DIRECTORS**

1. The Board of Directors shall meet whenever it considers it necessary for the smooth running of the Company, and at least eight (8) times a year, celebrating a meeting at least once every quarter. The Board of Directors must also meet when requested by at least two (2) of its members or one of the independent Directors, in writing addressed to the Chairman indicating the agenda, in which case, the meeting of the Board of Directors will be called by the Chairman, through any written means addressed personally to each Director, to be held within fifteen (15) days following the request at the registered office. Should one month elapse after the date of receipt of the request without the Chairman having called the Board of Directors meeting, without a justified reason, and provided that the request is supported by at least one third of the members of the Board of Directors, a meeting of the Board may be called by the Directors who requested the call as long as they constitute at least one third of the members of the Board. In all events, the Board of Directors shall meet within a maximum period of three (3) months from the end of the financial year, in order to draw up the Annual Accounts, the Management Report and the proposed distribution of profit.
2. Meetings will be notified to each Director by letter, fax, telegram or e-mail, or by any other means that allows acknowledgment of receipt, and will be authorised with the signature of the Chairman or that of the Secretary or Vice-Secretary by order of the Chairman. Notice will be sent at least forty-eight (48) hours in advance, unless an emergency situation exists and is accepted by the Board when it meets.
3. Except when the Board of Directors has been held or has been exceptionally convened due to urgency, the Directors should previously receive with sufficient advance all the necessary information for the deliberation and adoption of resolutions on the matters in question, the Chairman assisted by the secretary being responsible for the fulfilment of this disposition.
4. Meetings of the Board of Directors and its Committees will normally take place at the Company's registered office, but may also be held at another location determined by the Chairman of the Board or of the relevant Committee, who may authorize meetings to be held with simultaneous attendance at various locations connected by audiovisual or telephonic means, provided the recognition of those attending and real-time interactivity

and intercommunication, and thus unity of action, can be guaranteed. Board members who are not physically present at the meeting place and who use remote means of communication such that the meeting can be transmitted simultaneously and reciprocally with all other members using such means of communication will, for all purposes, be considered to have attended and may issue their vote remotely, through the means of communication being used. In the case that any of the Directors are at the corporate address, the meeting will be understood to be held there. Otherwise, the meeting will be understood as being held where the Director chairing the meeting is located.

5. The meeting of the Board will be considered to be validly held without any need for a call if all of its members, present or represented by proxy, unanimously agree to the meeting and to the items of the agenda to be discussed.
6. The Board may also adopt resolutions in writing, with no meeting, in accordance with current regulations and the Company's by-laws, and votes may be cast in writing or by e-mail, or by any other means that allows acknowledgment of receipt, provided that the identity of the Director casting the vote has been verified.
7. At least once a year, the Board, as a plenary body, shall evaluate:
  - (i) the quality and efficiency of the functioning of the Board;
  - (ii) the carrying out of their duties on the part of the Chairman of the Board, where appropriate, led by the Coordinating Director and the chief executive of the Company; and
  - (iii) the functioning of the Committees;

and shall propose, on the basis of the outcome, an action plan to correct the deficiencies identified. The result of the evaluations will be included in the minutes of the meeting or will be incorporated to these as an appendix.

#### **ARTICLE 17.- PROCEDURES FOR MEETINGS**

1. A meeting of the Board of Directors will be validly assembled when at least the majority of its members attend or are represented by proxy, except in the case of the absence of a meeting notice, in which case the attendance of all of its members in person or by proxy will be required.
2. Board members should attend Board meetings in person. Nevertheless, when they are unable to do so in person, they shall endeavour to grant their proxy in writing, on a special basis for each meeting, to another Board member, including the appropriate instructions therein. The non-executive Directors can only grant their proxy to another non-executive Director, although the independent Directors, are only entitled to grant their proxy in favour of other independent Director. The proxy may be granted by any postal, electronic means or by fax, provided that the identity of the Director is assured.
3. The Chairman will organize debates by seeking and promoting the participation of all Directors in the Board's deliberations, and will lead the voting.
4. Except in cases in which the Law or the by-laws specifically set forth another voting quorum, resolutions will be adopted by an absolute majority of the Directors attending



the meeting in person or represented by proxy. In the event of a tie, the Chairman will have the casting vote. In any event, when a shareholder is represented on the Board by more than one proprietary Director, proprietary Directors representing such shareholder shall abstain from participating in the deliberation and voting of the agreements for the appointment of independent Directors by co-option and with regard to the appointment proposals of independent Directors made to the General Shareholders Meeting.

Particularly, the permanent delegation of all or any of the duties of the Board of Directors on the Executive Committee, on the Executive Director, the appointment of the Directors that have to hold such positions, the appointment of the Chairman when this falls on an executive Director and the approval of the contracts between the Directors with executive functions and the Company, will require to be valid the favourable vote of two thirds (2/3) of the Board members.

5. Minutes of the meetings of the Board of Directors will be drawn up by the Secretary and will be signed, at a minimum, by the Chairman or, if applicable, the Vice-Chairman and the Secretary or Vice-Secretary. The minutes which will be transcribed or entered, pursuant to applicable requirements, into a special book of minutes of the Board of Directors.

The minutes will be approved by the Board of Directors at the end of the meeting or immediately afterwards, unless the immediate nature of the meetings does not permit this, in which case they will be approved at a subsequent meeting. The minutes may also be approved by the Chairman, the Secretary and two (2) Directors attending the Board meeting to which the minutes refer, who are designated by the Board itself at each meeting.

In order to facilitate the implementation of resolutions and, as the case may be, their recording in a public deed, the minutes may be partially approved, and each of the approved sections may contain one or more resolutions.

## **CHAPTER VI**

### **APPOINTMENT AND REPLACEMENT OF DIRECTORS**

#### **ARTICLE 18.- APPOINTMENT OF DIRECTORS**

1. Directors will be appointed by the General Shareholders' Meeting of the Board of Directors in accordance with the provisions of the Law and in the Company's By-laws.
2. Proposed appointments of Directors submitted by the Board of Directors for the General Shareholders' Meeting and resolutions regarding appointments which said body adopts by virtue of the powers of co-option legally attributed to it must be preceded by the pertinent proposal of the Appointments Committee, in the case of independent directors, and by a report, in the case of the remaining Directors.
3. The members of the Board of Directors must fulfil the required standards for the exercise of their duties. In particular, they should have recognised business and professional integrity, have the appropriate knowledge, skills and experience to perform their duties

and be able to exercise good governance of the entity within the terms provided by the current legislation.

4. The proposals for appointment or re-election of Directors should be accompanied in any event by a supporting report from the Board of Directors evaluating the skills, knowledge and merits of the proposed candidate that will be attached to the minutes of General Meeting or that of the Board itself.

#### **ARTICLE 19.- CLASSIFICATION OF DIRECTORS**

1. The directors will be classified as executives or non-executives, distinguishing among these between stakeholder, independent or other external directors.
2. Executive directors are considered those that develop management functions in the Company or its group, whatever the legal link with the same. Nevertheless, the Directors that are Senior Executives or directors of companies belonging to the group of the dominant entity of the Company will be considered as stakeholder Directors.

When a director develops management functions and, at the same time is or represents a significant shareholder or that is represented in the Board of Directors, it is considered as executive.

3. Stakeholder directors are considered to be those that hold a stake in the share capital of the Company equal to or higher than what is legally considered as significant or that has been appointed due to its condition as shareholder, even if its shareholding does not reach the mentioned amount, as well as those who represent the previously mentioned shareholders.
4. Independent Directors will be considered to be those who are appointed in consideration of their personal and professional qualities and who may fulfil their duties without being constrained by their ties to the Company or its group, to its significant shareholders and to its Senior Officers.

In particular, the following persons may not be considered, under any circumstance as independent Directors in any of the following situations:

- (a) persons who have been employees or executive directors of group companies, unless three (3) or five (5) years, respectively, have elapsed since the termination of that relationship.
- (b) persons who receive from the Company, or from the same group, any amount or benefit other than remuneration as Directors, unless the amount in question is insignificant for the Director.

For the purposes of this section, dividends or pension complements received by a Director by virtue of his prior professional or work relationship will not be taken into account, provided that such complements are unconditional and, consequently, the company that pays them does not have the discretion, except in the case of non-fulfilment of obligations, to suspend, modify or revoke the payment thereof;

- (c) persons who are, or who have been in the last three (3) years, partners of the external auditor or who have been responsible for the audit report, whether regarding the audit of the Company during said period or of any other company in its group;
- (d) persons who are executive Directors or senior managers of a different company in which an executive Director or senior Director of the Company is an external Director;
- (e) persons who maintain, or who have maintained in the last year, a significant business relationship with the Company or with any company in its group, either in their own name or as significant shareholders, Directors or Senior Managers of an entity that maintains or has maintained said relationship.

Relationships of suppliers of goods or providers of services, including financial services, advisory services or consultant services shall be considered to business relationships.

- (f) persons who are significant shareholders, executive Directors or senior managers of an entity that receives, or has received in the last three (3) years, significant donations from the Company or its group.

Persons who are mere patrons of a foundation receiving donations will not be considered included in this item;

- (g) The spouses of, the persons linked by an analogous affective relationship to, or the relatives removed by up to two steps from an executive Director or Senior Director of the Company;
- (h) Persons who have not been proposed, either for appointment or renewal, by the Appointments Committee;
- (i) persons who have been Directors for a continued period of more than twelve (12) years;
- (j) persons who, with regard to any significant shareholder or person represented by proxy on the Board, are covered by the cases referred to in items (a), (e), (f) or (g) above. In the case of the degree of kinship referred to in (g), the limitation will apply not only to the shareholder but also to the stakeholder Directors in the investee company.

Persons who cease to be stakeholder Directors because the shareholder whom they represented sold his stake may be re-elected as independent Directors only if the shareholder whom they represented until that time sold all of this shares in the Company.

A Director who holds a shareholding in the Company may be an independent Director, if he meets all of the conditions set forth above and, in addition, his shareholding is not significant.

5. Other external directors will be considered as non-executive directors that are not considered as stakeholder or independent directors.

6. The Board of Directors will detail the class of each director before the General Meeting that may appoint or ratify the appointment or agree its re-election and such classification will be maintained or, if applicable, modified it in the Annual Corporate Governance Report, with the previous report from the Appointments Committee.

**ARTICLE 20.- TERM IN OFFICE**

1. Directors shall remain in their posts for the term of office stipulated in the By-laws while the General Meeting does not agree their removal or they resign from the position, and may be re-elected one or more times for periods of equal length. Nevertheless, independent Directors will not stay on as such for a continuous period of more than twelve (12) years.
2. Directors designated by co-option shall hold their post until the date of the next General Shareholders' Meeting or until the legal deadline for holding the General Shareholders' Meeting that is to decide whether to approve the accounts for the previous financial year has passed, but if the vacancy was produced after having called the General Meeting and before it being held, the appointment of the director by co-option by the Board to cover such vacancy will be effective until the celebration of the next General Meeting.

**ARTICLE 21.- REMOVAL OF DIRECTORS**

1. Directors shall be removed from office when the period for which they were appointed has elapsed, when so decided by the General Shareholders' Meeting in use of the attributes granted thereto, legally or in the by-laws, and when they resign.
2. Directors must place their position at the disposal of the Board of Directors and formalize, if the latter deems appropriate, the pertinent resignation, in the following cases:
  - (a) when they depart the executive positions, posts or functions with which their appointment as Director was associated;
  - (b) when they are subject to any of the cases of incompatibility or prohibition provided by law or no longer meet the suitability requirements according to the applicable regulations.
  - (c) when they are indicted for an allegedly criminal act or are subject to a disciplinary proceeding for serious or very serious fault instructed by the supervisory authorities;
  - (d) when their remaining on the Board, they may place at risk the Company's interest, or when the reasons for which they were appointed cease to exist. In particular, in the case of stakeholder Directors, when the shareholder they represent transfers its stake holding in its entirety. They must also do so when the said shareholder lowers its stake holding to a level which requires the reduction of the number of stakeholder Directors;
  - (e) when significant changes in their professional status or in the conditions under which they were appointed Director take place; and

- (f) when due to facts attributable to the Director, his remaining on the Board could cause serious damage to the corporate net worth or reputation in the judgement of the Board.
- 3. In the case of an individual representing a director who is a legal entity incurs in any of the situations foreseen in the previous section, the individual representative should offer its post to the legal entity appointing him. If this latter decides to maintain the representative to develop its position of director, the director who is a legal entity should offer its post of director to the Board of Directors,
- 4. When a Director leaves office prior to the end of his term, he must explain the reasons in a letter which he shall send to all members of the Board of Directors.

## **CHAPTER VII**

### **INFORMATION FROM DIRECTORS**

#### **ARTICLE 22.- INFORMATION AND INSPECTION POWERS**

- 1. In the development of their duties, the directors have the duty of demanding and the right to recompile from the Company the necessary information for fulfilling their obligations. For such purpose, the Director should request information on any aspect of the Company and examine its books, records, documents and further documentation. The right to information extends to investee companies provided that this is possible.
- 2. Requests for information must be directed to the Chairman of the Board of Directors, if he holds executive status, and, otherwise, to the Chief Executive Officer, who will forward the request to the appropriate party in the Company.
- 3. If the Chairman deems that the information is confidential, he will notify the Director who requests and receives the information of this as well as of the Director's duty of confidentiality under these Regulations.

#### **ARTICLE 23.- ASSISTANCE FROM EXPERTS**

- 1. To receive assistance in fulfilling their duties, the non-executive Directors may request that legal, accounting or financial advisers or other experts be contracted, to the account of the Company. The tasks to be carried out must, without exception, be related to specific issues of a certain significance and complexity that arise when the Directors exercise their duties.
- 2. The decision to contract must be notified to the Chairman of the Company, if he holds executive status, and, otherwise, to the Chief Executive Officer, and may be vetoed by the Board of Directors, provided that it demonstrates that:
  - (a) it is not necessary for the proper performance of the duties entrusted to the non-executive directors;
  - (b) the cost thereof is not reasonable in view of the importance of the problem and of the assets and income of the Company;

- (c) the technical assistance being obtained may be adequately dispensed by experts and technical staff of the Company; or
- (d) it may entail a risk to the confidentiality of the information that must be handled.

## **CHAPTER VIII**

### **REMUNERATION OF DIRECTORS**

#### **ARTICLE 24.- REMUNERATION OF DIRECTORS**

1. The Board of Directors will determine the remuneration corresponding to each Director, in their condition as such, and, when applicable, for the development of executive functions, in accordance with the provisions of the by-laws and the remuneration policy approved by the General Meeting and in accordance, if applicable, with the indications of the Remuneration Committee. With the exception of the remuneration expressly approved by the General Shareholders Meeting.
2. The Board of Directors will strive to ensure that remuneration is moderate and commensurate with market conditions. In all cases, the remuneration of the directors should keep a reasonable proportion with the importance of the Company, the economic situation at any given time, and market standards of comparable companies. The established remuneration system should be aimed at promoting long-term profitability and sustainability of the Company and incorporate the necessary caution to avoid the excessive assumption of risks and the reward of favourable results.
3. In particular, the Board of Directors will adopt all measures within its means to ensure that remuneration of Directors, in their condition as such, including any remuneration they receive as members of the Committees, conforms to the following guidelines:
  - (a) Directors must be remunerated according to their effective dedication and of the functions and responsibilities attributed to them; and
  - (b) the remuneration amount of Directors, in their condition as such, must be calculated such that it offers incentives for dedication without undermining their independence.
4. The Board of Directors will determine the remuneration of the Directors developing executive functions as well as the terms and conditions of their contracts according to the current regulation and remunerations policy.
5. The Company General Meeting will approve, at least every three (3) years and as a separate point of the agenda, the remuneration policy of the directors, that will adapt, as appropriate, to the remuneration policy included in the By-laws, in the legally foreseen terms. The proposal of the mentioned remuneration policy should be accompanied by a report from the Remuneration Committee.

Additionally, the remuneration policy will be annually subject to an internal, central and independent evaluation in order to verify if it complies with the guidelines and remuneration procedures approved by the Board of Directors.

The Board of Directors of the Company will periodically adopt and review the general principles of the remunerations policy and will be responsible for supervising its application.

6. The Board of Directors must prepare and annually publish a report on the remunerations of the Directors including what they perceive or should perceive in their condition as such, and if applicable, for the development of executive functions, under the terms provided for in law. This report will be made available to the shareholders when the General Shareholders' Meeting is called and will be brought to an advisory vote of the Meeting, as a separate item on the agenda, in addition to the proposal for the remuneration policy proposed, when appropriate, to the General Shareholders Meeting for approval.

If the annual report on the Directors' remunerations is rejected during the advisory vote in the Ordinary General Meeting, the applicable remuneration policy for the following year should be submitted for the approval of the General Shareholders Meeting prior to its application, even when the mentioned period of three (3) years has not passed.

## **CHAPTER IX**

### **DIRECTORS' DUTIES**

#### **ARTICLE 25.- GENERAL DUTIES OF DIRECTORS**

In performing their duties, Directors will act with the diligence of respected businesspersons and the loyalty of a faithful representative. Their actions should be in good faith and will be guided solely by the interest of the Company, as they strive to better defend and protect the interests of the shareholders overall, from whom their mandate derives and to whom they are accountable.

#### **ARTICLE 26.- DUTY OF DILIGENCE**

Directors should develop their position and fulfil the duties imposed by Law and the By-law with the diligence of orderly businesspersons, taking into account the nature of their position and the duties attributed to each of them. In particular, Directors are required to:

- (a) have adequate dedication and adopt the necessary measures for the good management and control of the Company;
- (b) demand and recompile adequate and necessary information for fulfilling their obligations and, specifically, prepare suitably for the Board meetings and, if applicable, of the delegate bodies and internal Committees to which they belong;
- (c) attend the meetings of the Board of Directors and take an active part in the deliberations in order for their opinions to effectively contribute to decision-making. If, for a justified reason, a Director is unable to attend meetings to which he has been called, he must instruct the Director who will represent him, as established in these Regulations;
- (d) contribute their strategic vision, as well as innovative measures, opinions and concepts for the optimal functioning and evolution of the Company's business;

- (e) carry out any specific task entrusted to them by the Board of Directors or any of its delegated and/or advisory bodies that is reasonably within the purview of their dedication pledge;
- (f) investigate any irregularity in the management of the Company of which they have learned and to watch over any situation of risk;
- (g) urge persons with meeting-calling capacity to call an extraordinary meeting of the Board or to include the points they deem appropriate in the agenda of the first meeting to be held; and
- (h) oppose resolutions that are contrary to the Law, to the By-laws, to the General Meeting Regulations, to these Regulations or to the Company's interest, and to request that their position be entered into the minutes when they deem that such action is more appropriate to safeguard the Company's interest.

#### **ARTICLE 27.- DUTY OF LOYALTY**

Directors should develop the position with the loyalty of a faithful representative, in good faith and in the best interests of the Company. Particularly the Director, in compliance with the duty of loyalty should:

- (a) refrain from attending and intervening in the deliberations and voting affecting matters in which the Director or Persons Related to the Director directly or indirectly have conflicting interests, in which case the votes of the Directors affected by the conflict and that have to abstain, will be deducted for the calculation of the majority of votes that are necessary;
- (b) safeguard secrets about the information, data, reports, or background to which it may have access in the development of their position, even when they have been separated from the same, except for the cases where the Law allows or requires it, in the terms established under article 28 of these Regulations;
- (c) not exercise their powers for other aims than those for which they have been granted: and
- (d) develop their duties under the principle of personal responsibility with freedom of judgement or judgment and independence regarding the instructions and links with third parties; and
- (e) adopt the necessary measures to avoid incurring in situations in which their interests, either for their own account or for third parties, can enter into conflict with the Company's interest and with their duties for the Company.

#### **ARTICLE 28.- DIRECTOR'S DUTY OF CONFIDENTIALITY**

1. Directors will keep secret all deliberations of the Board of Directors and the delegate bodies to which the Directors belong and, in general, will abstain from disclosing the information to which they have been privy in performing their duties.
2. The duty of confidentiality will remain even when a Director has left his position, and he must keep secret all confidential information and all information, data, reports or



antecedents of which he becomes aware as a result of performing his duties. He may not communicate said information to third parties or disseminate it when so doing might be detrimental to the Company's interest. Excepted from the duties referred to in this paragraph are cases in which the law permits the communication of dissemination of information to third parties, as are, if applicable, cases in which Directors are summoned by or must refer to the respective oversight authorities, in which case the relinquishment of information must conform to the laws.

#### **ARTICLE 29.- DUTY NOT TO COMPETE**

1. Directors should refrain from developing, for their own account or the account of others, activities the exercise of which entails effective competition with the Company, either current or potential, or which any other way, position them in permanent conflict with the Company interests, unless they have the express and separate consent of the Company through a resolution adopted at a General Shareholders' Meeting, for which purpose the Director must issue the communication set forth in item 3 of the following article. The obligation of not competing with the Company can only be subject to release in the case that no harm for the Company may be expected or that the harm which could be expected is compensated by the benefits that foreseeably are expected from the release. Excepted from the above are offices which may be held in subsidiaries or investee entities of the Company. The above prohibition is not applicable to those persons who hold executive or management offices at the parent company or at other entities of the group.
2. The obligation to abide by the conditions and guarantees provided by the dispensation resolution and, in any case, the obligation to abstain from participating in the deliberations and voting in which he has a conflict of interest shall be applicable to the Director who has obtained the dispensation from the General Shareholders' Meeting, all of which in accordance with the provisions of current legislation.
3. A Director who terminates his mandate or for any other reason departs from his office may not provide services or be a director at another entity that is in a situation of effective competition with the Company for the term set forth, which in no event will be more than two (2) years.

#### **ARTICLE 30.- DUTY TO AVOID CONFLICTS OF INTEREST**

1. Directors shall avoid situations which may imply a conflict of interest between the Company and themselves or persons related thereto, taking for these purposes any measures that may be necessary. In any case, Directors must abstain from:
  - (a) directly or indirectly carry out transactions with the Company unless they are ordinary operations made in standard conditions for all clients and with little relevance;
  - (b) use the Company's name or invoke their status as Director in order to unduly influence the carrying out private transactions;
  - (c) use the Company's assets or avail themselves of their position at the Company to obtain an economic advantage or for any private aims;

- (d) use for their own benefit a business opportunity of the Company, understanding as business opportunity any possibility to carry out an investment or commercial transaction that has arisen and has been discovered in connection with the Director's performance of his duties, or by using means and information of the Company, or under any such circumstances that it is reasonable to believe that a third party offer was in fact intended for the Company;
  - (e) obtain advantages or remunerations from third parties different from the Company and its group, related to the development of its position, except when these are mere courtesy attentions; and from
  - (f) developing activities on its own account or for third parties that in any case position them in permanent conflict of interests with the Company,
2. The above provisions will also apply in the case that the beneficiary of the prohibited acts or activities are persons related to Directors in accordance to the definition of this concept in the Law (henceforth, **Related Persons**).
  3. In all cases, Directors should inform to the Board of Directors on the situations of direct or indirect conflict that they or the Persons Related to them may have with the interests of the Company.
  4. The Company can only release from the prohibitions contained in this article in singular cases according to the procedure and restrictions established by current legislation.
  5. The situations of conflict of interests in which the Directors are involved will be reported in the annual report.

#### **ARTICLE 31.- USE OF NON-PUBLIC INFORMATION**

1. Directors are subject, with regard to the use of any non-public information of the Company, to the duties of diligence, loyalty, confidentiality, and secrecy inherent to their position, and must abstain from using said information to their own benefit or to the benefit of third parties, in violation of the duties referred to above.
2. The contents of this article are deemed as without prejudice to the obligations that correspond to the Directors regarding insider information and significant information of the Company, in accordance with the terms set forth in laws governing the securities market.

#### **ARTICLE 32.- DIRECTORS' INFORMATION DUTY**

1. Directors must inform the Company of the shares of the Company which they own directly or indirectly through Related Persons, in accordance, in all respects, with the Internal Rules of Conduct on Matters Relating to the Securities Market.
2. Directors must also inform the Company of the positions they hold and the activities they carry out in other companies and, in general, of facts, circumstances or situations that may prove significant for their performance as Company directors.
3. Directors must inform the Company of any situation of which they are aware whose importance of which seriously damage the Company's reputation.

4. Directors must abide by the limitations on belonging to Boards of Directors set forth in the current regulations of organization, supervision and solvency of credit entities.
5. Directors must inform the Company of circumstances that affect the Company and that may damage its credit or reputation, especially of criminal charges brought against them and the progress of any subsequent trial. The Board may, after examining the Director's situation, demand his resignation and the Director must abide by this decision.

#### **ARTICLE 33.- DISPENSATION FROM COMPLIANCE WITH DUTIES BY DIRECTORS**

In cases in which authorization of the Board of Directors is not expressly prohibited, the Company can release the Director from complying with certain obligations. When the release is not the competence of the Meeting, the Board of Directors may approve the release, previously and exceptionally and subject to a report by the Audit and Control Committee reflecting that no damage is caused to the Company and no legal or by-law regulations applicable in each case are breached.

### **CHAPTER X**

#### **RELATIONS OF THE BOARD**

##### **ARTICLE 34.- RELATIONS WITH SHAREHOLDERS**

1. The Board of Directors will provide suitable channels to familiarize itself with any proposals formulated by shareholders with regard to the management of the Company.
2. Through some of its Directors and with the collaboration of the members of senior management that the Board deems appropriate, the Board may organize informational meetings on the running of the Company, for shareholders residing in the most important financial markets, either in Spain or other countries.
3. Public requests for vote delegation made by the Board of Directors or by any of its members must express how the representative would vote in the event that the shareholder does not give instructions. A vote that has been delegated in response to such a public request may not be exercised relative to agenda items regarding which there is a conflict of interest, unless the person granting the proxy has given precise voting instructions for each of those items, all in accordance with the Law.
4. The Board of Directors will promote shareholders' informed participation in General Shareholders' Meetings and will adopt all timely measures required to allow the General Shareholders' Meeting to effectively exercise the duties that correspond to it in accordance with the law and the Company's by-laws.

In particular, the Board of Directors will adopt the following measures in accordance with the Law:

- (a) it will strive to make available to the shareholders, prior to the Meeting and in sufficient advance, all information that can legally be demanded, and all information that, even though not legally demandable, may be of interest and can be reasonably provided;

- (b) it will respond, with utmost diligence, to requests for information formulated by shareholders prior to the Meeting;
- (c) if meeting the requests for information is not possible in the same meeting, the requested information will be provided after the closing of the meeting in the legally established terms;
- (d) also with utmost diligence, it will answer questions posed by shareholders when the Meeting is held; and
- (e) it will ensure that the matters proposed to the Meeting are voted on in an orderly manner and separately, allowing the shareholders to intervene and express their opinion on each issue submitted to a vote.

**ARTICLE 35.- RELATIONS WITH INSTITUTIONAL SHAREHOLDERS**

1. The Board of Directors will also establish adequate mechanisms for the regular sharing of information with institutional investors who are among the Company's shareholders.
2. In no event may the relations between the Board of Directors and institutional shareholders translate into the delivery to the latter of any information that might give them a privilege or advantage over other shareholders.

**ARTICLE 36.- MARKET RELATIONS**

1. The Board of Directors, through communiqués of significant events to the Spanish National Securities Market Commission and the corporate web page, will immediately provide the public with all significant information on the terms set forth in the current regulations.
2. The Board of Directors shall adopt the necessary measures to ensure that half-yearly, quarterly and any other financial information that the Law requires making available to the markets is prepared in accordance with the same principles, criteria and professional practices as the Annual Financial Statements and enjoys the same reliability as the latter. The Audit and Control Committee will report before to the Board of Directors about the financial information that the Company should periodically make public.
3. Information obligations will be fulfilled through any technical, information-technology or telematic means, without prejudice to the shareholder's right to request printed information.

**ARTICLE 37.- RELATIONS WITH AUDITORS**

1. The Board's relations with the Company's external auditors shall be channelled through the Audit and Control Committee.
2. The Board of Directors will publicly report the overall fees that the Company has paid for non-auditing services.

## **FINAL PROVISION**

No more than half of the executive Directors should be appointed from amongst the proprietary Directors representing a same shareholder, neither amongst Directors who are current or past members of the governing bodies or senior management of a shareholder holding, or having held, control of the Company, unless three (3) or five (5) years, respectively, have elapsed since the termination of such relationship.

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