

Translation for information  
purposes only

**REGULATION OF THE BOARD OF DIRECTORS OF  
FLUIDRA, S.A.**

**April 30, 2014**



**FLUIDRA**  


**REGULATION OF THE BOARD OF DIRECTORS OF  
“FLUIDR A, S. A.”**

**CHAPTER I PREAMBLE**

**Article I. Origin and Purpose**

1. These Regulations have been approved by the Board of Directors of FLUIDRA, S.A. (hereinafter the “Company”), with notification to the Shareholders in General Meeting pursuant to article 528 of Legislative Royal Decree 1/2010, of July 2, approving the restated Corporations Law. The purpose of these regulations is to establish the guidelines for the actions of the Board and the basic rules for the organisation and functioning thereof and the code of conduct applicable to its members.
2. The code of conduct established in these Regulations is similarly applicable to the senior management of the Company to the extent that they are compatible with the specific nature of the positions held and the activities performed.

**Article II. Interpretation**

1. These regulations complete the regulatory system applicable to the Board as established under applicable legislation and the bylaws of the Company. These Regulations shall be interpreted pursuant to the said laws and the corporate bylaws and to the principles and recommendations for good corporate governance approved or issued by Spanish and other relevant authorities or by special commissions or workgroups established pursuant to the mandate of such authorities.
2. The Board of Directors shall resolve any doubts as may arise in the application interpretation of these regulations in conformity with the general criteria established under applicable law.

**Article III. Modification**

1. These Regulations may only be modified upon proposal of the Chairman by at least one third of the members of the Board or of the Audit Committee. All proposed modifications shall be accompanied by a report justifying the proposal.
2. The text of the proposal and the accompanying report must be included in the notification for the meeting of the Board to deliberate on the proposal. All such notifications must be made at least 10 days prior to the proposed meeting.

3. The approval of such modifications to the Regulations shall require the favourable vote of at least two thirds (2/3) of the directors present or represented.
4. These regulations shall be amended and updated to conform at all times to applicable legislation.

**Article IV. Dissemination**

1. All directors and senior management are required to know, comply and enforce these Regulations. Accordingly, the Secretary to the Board shall provide each with a copy thereof upon appointment or hiring, as the case may be. The Directors and members of senior management shall sign a certificate acknowledging that they have read and accept the contents of the Regulations and that they promise and agree to fully comply with the obligations established herein.
2. The Board of Directors of the Companies shall adopt such measures as may be appropriate to assure that the Regulations are disseminated among all shareholders and investors. In particular, the Regulations shall be filed with the Spanish National Securities Exchange Commission (CNMV) and with the Mercantile Registry and shall be displayed on the corporate website of the Company as required under current legislation and in the Regulations themselves.

**CHAPTER II FUNCTIONS OF THE BOARD**

**Article V. General functions of the Board**

1. The Board of Director shall develop their functions with unity of purpose and independence of criteria, dispensing the same treatment among all shareholders and guided by the best interests of the Company, maintaining maximum sustainability and the economic value of the Company. The Board shall similarly assure that their relationships with stakeholders respect the law and regulations, performing their obligations and contracts in good faith, respecting the standard usage and best practices of the sectors and territories where they perform their activities and observing those additional principles of corporate social responsibility as may have been voluntarily accepted.
2. Unless otherwise reserved to the Shareholders in General Meeting, the Board of Directors is the maximum governing body of the Company with those functions attributed under the Spanish Corporations Law and other applicable legislation, including the following:
  - The preparation of the annual accounts, management report and proposed application of funds of the Company and the consolidated annual accounts and management report, for presentation to the Shareholders in General Meeting.
  - Calling the General Meetings of the Shareholders and the publication of notifications of such meetings.
  - The execution of the Companies policies regarding treasury shares

within the framework is authorised by the Shareholders in General Meeting.

- The appointment of directors by co-optation and elevation of proposals to the shareholders in General Meeting relating to the naming, ratification, re-election or dismissal of directors (a) upon proposal by the Appointments and Remuneration Committee in the case of the appointment of independent directors or (b) with a prior report by the Appointments and Remuneration Committee in the case of other directors.
  - The appointment to and removal from internal positions on the Board of Directors and of the members of the Committees.
  - Upon proposal of the chief executive officer of the Company, the naming and eventual dismissal of senior management and the establishment of compensation.
  - The establishment of the remuneration of the members of the Board of Directors, upon proposal of the Appointments and Remuneration Committee, and, in the case of executives, the establishment of any additional remuneration for their executive functions and other conditions which must respect their respective contracts.
  - Meeting all financial reporting requirements derived from the Company's condition as a publicly traded company.
  - The investment and operations of any type that, due to their large amount or special characteristics can be considered to be of a strategic nature, excepting those reserved to the Shareholders in General Meeting.
  - The creation or acquisition of equity in special-purpose vehicles and companies domiciled in countries considered as tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could decrease the transparency of the Group.
  - Pronouncements on any public tender offer for the shares of the Company.
    - The amendment, relocation or cancelation of the Corporate website.
    - The approval and amendment of these Regulations.
    - Any other matter which the Regulations of the Board of Directors fully reserves to the Board.
3. The core mission of the Board of Directors is to approve the strategy of the Company and the precise organisation needed to put it into practice, as well as the supervision and control of Management assuring compliance with the objectives established and respect for the best interests of the Company. To this end, the Board of Directors, as a whole, shall have exclusive jurisdiction over the approval of the policies and general strategies of the Company and, in particular, (i) the strategic plan or business plan, and the annual budget and management objectives; (ii) the investment and financing policy; (iii) the definition of the structure of the corporate group; (iv) the corporate governance policy; (v) the corporate social responsibility policy; (vi) policy remuneration and evaluation of executive directors; (vii) the risk

control and management policy and periodic oversight of the internal information and control systems; (viii) the dividend policy and the treasury share policy and, particularly, their limits.

4. And the policy of the Board is to delegate the ordinary management of the Company to a management team and to focus its activities on general oversight and the adoption of the most relevant decisions regarding the administration of the Company.
5. Those functions that are legally reserved to the Board and those required for the responsible performance of the oversight functions cannot be delegated.
6. The Board of Directors shall oversee the compliance of the Company with its ethical duties and obligation to operate in good faith.
7. The Board of Directors shall similarly oversee and assure that no shareholder receives any special treatment not accorded to all other shareholders.

## **CHAPTER III COMPOSITION OF THE BOARD**

### **Article VI. Qualitative composition**

1. The Board of Directors, in the exercise of its powers to make propositions to the Shareholders in General Meeting and for co-optation in covering vacancies, shall procure that the composition of the board includes external or nonexecutive directors representing a simple majority over executive directors. Similarly, there shall be the minimum necessary number of executive directors in accordance with the complexity of the corporate group and the equity held by the executive directors in the Company. Lastly, the Board shall ensure that the number of independent directors represents at least one third (1/3) of the total.
2. The definitions of the different classes of directors shall conform to that established in the recommendations for good corporate governance as may be applicable at any time.
3. The Board shall assure that the proportion of directors representing major shareholders in relation to the number of independent directors reflects the percentage of equity held by such major shareholders in relationship to total outstanding shares.
4. In the event that no external shareholder can be considered as representing a major shareholder or as an independent, the Board shall publicise the situation and the relationships of the directors to the Company, the executives or the shareholders.
5. The nature of the directors shall be explained by the Board to the Shareholders in General Meeting, who shall ratify or reject the proposal and annually approve or amend the Annual Corporate

Governance Report after verification by the Appointments and Remuneration Committee.

#### **Article VII. Quantitative composition**

1. The Board of Directors shall be comprised of no less than five (5) and no more than fifteen (15) members, with the exact number been determined by the Shareholders in General Meeting.
2. The Board shall propose to the Shareholders the number of directors within the above-mentioned limits in conformity with the changing circumstances of the Company in order to assure the proper representation of the shareholders and the efficient functioning of the Board.

## **CHAPTER IV STRUCTURE OF THE BOARD OF DIRECTORS**

#### **Article VIII. The Chairman of the Board**

1. The Chairman of the Board of Directors shall be selected from among its members in accordance with that set forth in the bylaws of the Company.
2. The Chairman shall have the authority to call meetings of the Board of Directors, to establish the agenda and to chair the debates. The agenda for the meetings shall, additionally, include such items as may be proposed by at least two directors.

#### **Article IX. The Vice-Chairman**

1. The Board may designate one or more vice-chairman. The Vice Chairman of the Board shall substitute for the Chairman in the event of the absence thereof or when so designated by the Chairman.
2. The Vice-chairman may call meetings of the Board when a request by at least two directors is not answered by the Chairman within one week.

#### **Article X. The Secretary to the Board of Directors**

1. The Board of Directors shall select a Secretary with the appropriate skills and knowledge and which does not need to be a member of the Board. Non-member secretaries shall have the ability to speak in meetings but shall not hold the power to vote.

And all cases, in order to assure the independence, impartiality and professionalism of the Secretary, the appointment and dismissal shall be informed by the Appointments and Remuneration Committee and approved by the full Board.

2. The Secretary shall assist the Chairman in the efforts thereof and shall support the proper functioning of the Board, providing the

members thereof with such advice and information as may be needed, maintaining all corporate documentation and duly reflecting the minutes of the meetings in the appropriate books of the Company and certifying the resolutions adopted in the meetings. The minutes shall also reflect any proposal not resolved the Board as may be brought up by the members and any other matter proposed by a member to be included in the Minutes.

3. Similarly, the Secretary shall assure that the actions of the Board (i) conform to the letter and spirit of the Law and the regulations approved by competent authority; (ii) conform to the bylaws of the Company and to the Regulations of the Shareholders Meetings, of the Board of Directors and the internal code of conduct; and (iii) follow the recommendations of good corporate governance of the Company.

#### **Article XI. The Vice Secretary to the Board**

1. The Board of Directors shall name a Vice Secretary, which does not need to be a member of the board, to assist the Secretary to the Board of Directors and to substitute the said Secretary in the event of the absence thereof.
2. In all cases, in order to assure the independence, impartiality and professionalism of the Vice Secretary, the appointment and dismissal shall be informed by the Appointments and Remuneration Committee and approved by the full Board.
3. Unless otherwise established by the Board of Directors, the Vice Secretary may attend the meetings with the Secretary in order to provide assistance thereto in the preparation of the minutes of the meeting.

#### **Article XII. Delegated bodies of the Board of Directors**

1. The Board of Directors may delegate, in whole or in part, temporarily or permanently, any or all of its functions to one or more members with the exception of those prohibited by law. The delegation and designation of the members of the Board to occupy such positions requires the favourable vote of at least two thirds (2/3) of the members of the board and shall not take effect until filed with the Mercantile Registry.
2. Without prejudice to the delegation of powers to one or more directors and other powers of attorney as may be conferred upon any person, the Board of Directors may also delegate authority to Committees made up of five directors. Qualitatively, the composition of said committee shall reflect, to the extent possible, the composition of the Board of Directors and the balance established in this body among executive directors, directors representing major shareholders, and independent directors.
3. The committee member designated shall act as the Chairman of the

Committee. The Secretary of the Committee shall be designated by the Board of Directors and does not need to be a member of the board. In the case of the designation of a member of the board as Secretary to the Committee, the said member does not have to be a member of the committee, in which case he or she shall not have any vote in committee meetings.

4. The Delegated Committee shall meet at least once per calendar month and at such times as may be designated by the Chairman of the Committee.
5. The meetings of the Delegated Committee shall be validly called when the majority of its members is present or represented.
6. Resolutions shall be adopted by a majority of the members present or represented in the meeting.
7. Any resolutions not approved by the Delegated Committee may be elevated by the Committee Chairman to the Board of Directors in the case of relevant subject matters.
8. The Secretary shall keep minutes of all meetings of the Committee and shall regularly inform the Board of all matters discussed and the resolutions passed. Similarly, a copy of the minutes shall be delivered to each of the members of the Board of Directors.
9. The Board of Directors may create other committees to act in an advisory capacity and, exceptionally, may be empowered with decision-making capacity.
10. In all cases, the board shall create an Audit Committee with powers of information, supervision, advisory and proposal in all matters specified under article 13 hereof.

### **Article XIII. Audit Committee. Composition, competencies and functioning**

1. The Board of Directors shall create an audit committee from among its members comprised of at least three directors. In no case shall a majority of the directors appointed be executive directors, without prejudice to the participation of senior management and executive directors when so required by the members of the Committee. At least one of the committee members shall be independent and shall be designated taking into account his knowledge and experience on accounting matters or audit matters or both. The members of the Audit Committee and, particularly, its chairman, shall be designated based on their knowledge and experience in the field of accounting, auditing and risk management, as well as taking into consideration their other knowledge, skills and experience in other matters relevant to the Committee.
2. The position of chairman of the Audit Committee shall be filled from



among the non-executive directors and shall hold the position for four years. The Chairman may be re-elected to another term with at least a one year interlude between terms. The Secretary shall be selected from among the members of the committee.

3. Without prejudice to any other functions assigned by the Board of Directors, the Audit Committee shall have the following basic functions:

- Inform the General Meetings regarding any questions raised at it that fall within its competency.
- Propose the appointment of auditors or audit companies in conformity with article 264 of the Spanish Corporations Law as well as the contract conditions, the scope of the mandate and, as the case may be, the revocation or cancellation of the mandate.
- Supervise the efficacy of the internal control of the Company, and in particular the Internal Control of the Financial Information the internal audit, if appropriate, and the risk management systems, and discuss with the auditors or audit companies the significant weaknesses of the internal control system detected during the audit.
- Supervise the process for preparation and presentation of the regulated financial information.
- Review the accounts of the Company; oversee compliance with legal requirements and the correct application of generally accepted accounting principles with the direct collaboration of internal and external auditors.
- Maintain and supervise the relationships with auditors or audit companies to receive information on those matters that could jeopardize their independence, for their examination by the Committee, and any others related to the process of the audit of accounts, and those other notices contemplated by audit legislation and auditing standards.
- Oversee the performance of the contract with external auditors assuring that the auditor's opinion on the financial statements and the main content of the audit report are drawn up clearly and precisely, evaluating the results of the each audit performed.
- Examine compliance with the internal code of conduct, with these Regulations and, in general, with the rules are of good corporate governance of the company and make any proposals as may be appropriate for the improvement thereof.
- Receive information and, when appropriate, issue reports on the disciplinary measures to be imposed on the members of the senior management team of the Company.

Similarly, the Audit Committee shall be responsible for:

- With regards to IT systems and internal control:
  - (a) Supervise the preparation and integrity of the financial reporting process of the Company and, as the case may be, of the corporate group, assuring compliance with regulatory requirements and the appropriate establishment of the scope of consolidation and the correct application of accounting criteria.
  - (b) Periodically review the internal control and risk management systems to assure that the primary risks are identified, managed, and appropriately informed
  - (c) Assure the independence and efficiency of the internal audit function; propose the selection, appointment, re-election, and dismissal of the internal audit department manager; receive periodic information on their activities and verify that senior management takes into account the conclusions and recommendations contained in the reports.
  - (d) Establish and supervise a mechanism that allows employees to confidentially and anonymously notify them of any relevant anomaly or irregularity that they may notice, with special attention to finance and accounting.
  
- With regard to the auditor or audit company:
  - (a) Propose to the Board of Directors the selection, appointment, re-election and substitution of the auditor or audit company as well as on the contract conditions.
  - (b) Regularly receive information from the auditor or audit company on the audit plan and the results of its implementation and verify that senior management is taking their recommendations into account.
  - (c) Assure the independence of the auditor or audit company and, for this purpose:: (i) assure that the Company notifies the CNMV of any change in the auditor as a relevant event, accompanying the notification with a report on any existing disagreements with the former auditor and the content thereof; (ii) that the Company and the auditor respect the applicable rules on the provision of services other than auditing and, in general, any other rules established to assure the independence of auditors; and (iii) in the event of the resignation of the auditor or audit company, investigate the reasons.

The Audit Committee shall receive annually from the auditors or audit companies written confirmation of their independence vis-à-vis the directly or indirectly related company or companies and information on the additional services of any kind provided to such companies by such auditors or companies, or by their related persons or entities pursuant to Law 19/1988, of July 12, Audit Law.

In addition, the Audit Committee shall issue each year, prior to the issuance of an audit report, a report issuing an opinion on the independence of the auditors or audit companies. Such report shall always contain an opinion on the provision of the additional services contemplated in the above paragraph.

- (d) In the case of groups, promote that the group auditor assumed responsibility for the auditing of all companies within the group.
- With regard to risk policies and management:
  - (a) Identify the different types of risk (operating, technological, financial, legal, image) faced by the Company including risks arising from contingent liabilities and other off-balance-sheet risks.
  - (b) Identify the acceptable level of risk established for the Company.
  - (c) Identify the measures established for the mitigation of identified risks.
  - (d) Identify the information and internal control systems to be used for managing and controlling identified risks, including contingent liabilities and off-balance-sheet risks.
- With regard to the obligations of publicly-traded companies:
 

Provide information to the Board of Directors so that it may adopt appropriate decisions regarding:

  - (a) The financial information that the Company, as a publicly traded company, must periodically release. The Audit Committee must assure that interim financial statements apply the same accounting criteria as to the annual financial statements and, to this end, consider the appropriateness of a limited review by the auditor or audit committee.
  - (b) The creation or acquisition of an equity interest in special-purpose vehicles or entities domiciled in countries or

territories considered as tax havens, and any other transaction or operation of a similar nature which due to its complexity could lessen the transparency of the group.

- (c) Operations with affiliates, unless this function has been assigned to a different supervision and control committee.
  - (d) Transactions which may imply a conflict of interest.
4. The Audit Committee shall meet, ordinarily, on a quarterly basis in order to review the financial information that must be reported to the exchange authorities and the information that the Board of Directors must approve and include within the annual statements. Similarly, the committee shall meet when requested by any of its members and any time when the Chairman or the Board of Directors requests a report prior to adopting relevant resolutions, and at any time as may be appropriate for the proper performance of its functions.
  5. The Audit Committee may request the presence of any member of the management team or staff of the Company and insist that any employee appear without the presence of any other executive. All employees called before the Audit Committee shall render full cooperation and collaboration, providing such information as required. The Audit Committee may similarly request the presence of the account auditors.
  6. For the proper performance of its functions, the Audit Committee may consult with external experts when it deems necessary.
  7. The Company shall have an internal audit function operating under the supervision of the Audit Committee which shall oversee the appropriate functioning of the internal control and information systems. The supervisor of the internal audit function shall submit an annual internal audit plan to the Audit Committee and shall report on any incidence occurring in the performance of the internal audit functions and, at the close of each year, submit an annual activity report.
  8. The Audit Committee shall report on its activities in the first meeting of the Board of Directors following the meeting of the Audit Committee. The minutes of the meetings of the Audit Committee shall be sent to all members of the Board of Directors. Similarly, the Audit Committee shall prepare an annual report on its activities, highlighting any incidents occurring during the year. The Audit Committee may include any proposals for improving the rules of corporate governance followed by the Company in the said annual report. The report of the Audit Committee shall be attached to the annual report on corporate governance issued by the Company and shall be made available to shareholders and investors through the corporate website.

The Board of Directors shall deliberate on the reports and proposals presented by the Audit Committee.

**Article XIV. Appointments and Remuneration Committee. Composition, Competencies and Functioning**

1. The Board of Directors shall meet ordinarily at least six times per year and with such frequency as may be needed for the proper performance of their functions, following the schedule and programme of matters established at the beginning of the year. Any director may propose other matters for the agenda not initially planned providing at least five days prior notice. Similarly, the Board shall meet whenever deemed necessary by the Chairman for the proper functioning of the Company and when requested by at least two members, in which case of the Chairman shall call the meeting for within the first 15 days following the request.
2. Directors making up at least one third of the Board members may call a Board meeting, stating the agenda, for it to be held in the place where the company has its registered office if the Chairman has been requested to call it and fails to call it within a term of one month without cause.
3. Notifications of ordinary meetings shall be made by certified mail, fax, telegram or e-mail and shall be signed by the Chairman or by the Secretary or Weiss Secretary on behalf of thereof. Notification of meetings shall be made with at least five days prior notice and shall include the agenda for this session and sufficient and relevant information duly summarised and prepared for discussion of the matter is on the agenda. The Chairman, being responsible for the efficient functioning of the Board, shall assure that all members of the board appropriately receive said information
4. The Chairman of the Board of Directors May call extraordinary meetings when deemed necessary, in which case the prior notification and other requirements of ordinary meetings shall not apply. The foregoing notwithstanding, the Chairman shall attempt to assure that all required documentation is received by the directors with sufficient time. Meetings shall be considered validly called including without notification when all members are present or represented and unanimously approve holding the meeting.
5. In the event that the Chairman of the Board is also the first executive of the Company, the Board of Directors shall empower one of the independent directors to call meetings of the Board and include new matters on the agenda in order to reflect and coordinate the concerns of the external directors and guide the evaluation of the Chairman by the Board. In the event that one or more Vice Chairman are independent directors, the Board shall empower one of their numbers to perform the functions described in this paragraph.
6. Pursuant to the Spanish Corporations Law, the Board of Directors may make decisions in writing without the need for a formal meeting.

7. The Board shall prepare an annual schedule of ordinary meetings.
8. Annually, the Board of Directors shall evaluate: (i) the quality and efficiency of its functioning; (ii) the performance by the Chairman of the Board and the first executive of the Company, based on the report provided by the Appointments and Remuneration Committee; and (iii) the functioning of the Committees based on the reports provided thereby. For this purpose, the Chairman of the Board shall organise, in coordination with the chairman of the committees, the evaluation of the Board and of the Managing Director and first executive.

## **CHAPTER V                      FUNCTIONING OF THE BOARD**

### **Article XV. Meetings of the Board of Directors**

1. The Board of Directors shall hold an ordinary meeting at least six times per year and, in any case, with the frequency required to discharge its duties, following the schedule of dates and matters to be established at the commencement of the year, each director to be able to propose other items for the agenda that were initially not contemplated provided that such request is made at least five days in advance of the date established for the meeting to be held. In addition, the Board shall assemble, at the initiative of the Chairman, as often as he may deem this to be necessary for the proper operation of the Company and also when this is requested by, at least, two of its members, in which case it shall be called by the Chairman within fifteen days after the request.
2. Directors making up at least one third of the members of the Board of Directors may call it, stating the agenda, for it to be held in the place where the Company has its registered office, if, after this is requested by the Chairman, he failed to call it within the term of one month.
3. Ordinary meetings shall be called through a letter sent by registered mail, fax, telegram or e-mail and shall be authorized by the signature of the Chairman or, as appropriate, of the Secretary or of the Deputy Secretary on the instructions of the Chairman. The notice of call shall be sent at least five days in advance and shall always include the Agenda of the meeting and sufficient and relevant information duly summarized and prepared for the purpose. The Chairman, as the person responsible for the efficient operation of the Board, shall ensure that the directors receive such information adequately.
4. The Chairman of the Board of Directors may call extraordinary meetings of the Board where, in his opinion, the circumstances justify this, the term of advance and other requirements contemplated in the above section not to apply in such events. Notwithstanding the above, it shall be ensured that the documentation that should be made available to the Directors be delivered sufficiently in advance. In addition, the Board shall be deemed to be validly assembled without need for prior call if all its members are present, in person or by proxy, and unanimously accept that the meeting be held.

5. If the Chairman of the Board is also the chief executive officer of the Company, the Board of Directors shall empower one of the independent directors to call Board meetings or include new items on the agenda so that he may coordinate and reflect the concerns of the external directors and manage the assessment by the Board of its Chairman. Should one or more deputy chairmen of the Company be independent directors, the Board shall empower any one of them to discharge the duties contemplated in this section.
6. Resolutions of the Board held by video-conference, multiple telephone conference or other remote communication procedures shall be valid provided that none of the Directors objects to such procedure, that they have the means necessary for the purpose and that they mutually recognize each other, which shall be recorded in the minutes of the Board meeting and in the certificate that may be issued of such resolutions. In such event, it shall be deemed that a single Board meeting has been held at the registered office. The Board may also adopt resolutions through the written procedure and without assembly, as provided for in the Corporate Enterprises Law.
7. The Board shall prepare an annual schedule of its ordinary meetings.
8. Each year, the Board of Directors at a plenary meeting shall assess: (i) the quality and efficiency of its operating procedure; (ii) the discharge by the Chairman of the Board and the chief executive officer of the Company of their duties, based on the report that may be submitted to it by the Appointments and Compensations Committee; and (iii) the operating procedure of its Committees, based on the report that such committees may submit to it. To such effect, the Chairman of the Board of Directors shall organize and coordinate with the chairmen of the Committees the assessment of the Board and that of the Chief Executive Officer.

#### **Article XVI. Meetings of the Board**

1. The Meetings of the Board of Directors shall be validly constituted when at least a majority of its members is present or represented.
2. The directors shall make their best efforts to attend all meetings all the Board and when unable to do so shall designate a proxy in writing and specifically for each meeting to another member of the Board, including any appropriate instructions and notifying the Chairman of the Board of Directors.
3. The Chairman shall organise and stimulate the debates, promoting the active participation of all directors and ensuring freedom of speech and opinion.
4. Unless otherwise established by law, in the bylaws, or in these regulations, the quorum for the approval of resolutions shall be the

absolute majority of those present or represented in the meeting. In the event of a tie, the Chairman shall have the deciding vote.

5. Minutes shall be kept of all meetings of the Board of Directors and shall be signed, at least, by the Chairman or the Vice Chairman and the Secretary or the Vice Secretary. As legally required, the minutes shall be transcribed and maintain in a special Minutes Book.
6. The minutes shall be approved by the full Board of Directors at the close of the relevant meeting or in the beginning of the first following meeting.

## **CHAPTER VI DESIGNATION AND TERMINATION OF DIRECTORS**

### **Article XVII. Naming of Directors**

1. The directors shall be designated (i) upon proposal by the Appointments and Remuneration Committee in the case of independent directors; and (ii) upon presentation of a report by the Appointments and Remuneration Committee in the case of other directors; by the Shareholders in General Meeting or by the Board of Directors in conformity with the provisions of the Spanish Corporations Law.
2. All new directors shall follow the orientation programme established by the Company in order to quickly acquire sufficient knowledge of the Company and the applicable rules of corporate governance.

### **Article XVIII. Designation of external directors**

The Board of Directors shall assure that all external directors are persons of renowned solvency, confidence and experience, being especially rigorous in covering the independent director positions established in article 6 of these Regulations.

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

The Board of Directors, prior to proposing the reappointment of Directors to the Shareholders, shall evaluate, the interested party abstaining, the quality of the work and dedication of the director in question pursuant to article 22 hereof.



**Article XX. Duration of the appointment**

1. Directors shall hold their position for the duration established by the Shareholders in General Meeting, which shall not exceed four years and must be the same for all directors. Directors may be reappointed for similar terms with the same maximum duration.
2. The appointment of Directors shall expire after the termination of their terms when the first following annual general meeting of shareholders has been held or when the legal period for holding the annual general meeting has expired.
3. The directors designated by co-optation (whenever appointed to cover a vacancy before the end of the official term), they must be validated in the first following meeting of the shareholders.
4. No director leaving their position for any reason shall hold a similar position or any other managerial or executive position in any company with a similar corporate purpose as the Company for the first two years following their termination as a director.
5. The Board of Directors, if it deems appropriate, may waive the above restriction or limit the duration.

**Article XXI. Termination of Directors**

1. Directors shall terminate their functions upon expiration of the term for which they were appointed or when so ordered by the Shareholders in General Meeting, with all powers granted specifically or in the bylaws being similarly terminated.
2. Directors shall present their resignations, if deemed appropriate, in any of the following cases:
  - a) Upon termination of any employment linked to the appointment as a director.
  - b) When affected by any of the causes of incompatibility or legal prohibition established.
  - c) For any serious infraction of their obligations as directors.
  - d) When remaining on the Board May pose a risk or harm the best interests, credit rating or image of the Company or when the reasons for which they were initially appointed no longer apply (for example in the case of the representative of a major shareholder, when the major shareholder is no longer considered as such).
  - e) The maximum term for independent directors is 12 consecutive years, after which time they shall resign their positions.

- f) In the case of representatives of major shareholders (i) when the shareholder in question sells its equity stake and; similarly (ii) if the number of shares held by the relevant shareholder is reduced to the extent that the number of Directors representing major shareholders is also reduced.
3. Any director resigning for any reason prior to the expiration of their term shall provide all members of the Board with the reasons for the resignation in writing.

The Board of Directors shall propose the termination of an independent director prior to the expiration of their terms for just cause as reflected in a report prepared by the Appointments and Remuneration Committee. Particularly, just cause shall be understood to exist if the director fails to comply with the obligations inherent in the position or incurs in any of the causes of incompatibility described in the definition of independent director as established in the applicable recommendations of good corporate governance.

#### **Article XXII. Objectivity in voting**

In conformity that set forth in article 29 of these Regulations, directors shall abstain from the deliberations and voting on any matters which directly affect them, such as proposals of appointment, re-election or termination.

## **CHAPTER VII RIGHT TO INFORMATION**

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

1. Directors may request information on any matter within the jurisdiction of the Board and, accordingly, may examine the books, records, documents and other documentation of the Company. The right to information extends to affiliated companies whenever possible.
2. Requests for information must be directed to the Secretary to the Board of Directors who shall forward the request to the Chairman of the Board or the appropriate person within the Company.
3. The Secretary shall advise the requesting a director of the confidential nature of all information received and the obligations of professional secrecy as established in these Regulations.
4. The Chairman may refuse information in the following cases: (i) the information is not deemed to be necessary for the proper performance of the functions assigned to the director, or (ii) the cost of collecting the information is excessive with respect to the importance of the problem or the assets and revenues of the Company.

**Article XXIV. Aid of experts**

1. All directors have the right to obtain the advice and assistance of experts from the Company for the proper performance of their functions. To this end, the Company appropriately channel the request which, in special circumstances, can include external advisors at the cost of the Company.

Requests for expert assistance shall be limited to specific problems of a material nature and complexity arising in the performance of their functions.

2. The decision to contract and external advisor must be communicated to the Chairman of the Company and may be refused by the Board of Directors in the following cases:
  - a) It is not deemed to be necessary for the proper performance of the functions assigned to external directors;
  - b) The cost is not reasonable given the nature of the problem or the assets and revenues of the Company; or
  - c) The technical assistance received maybe appropriately provided within the Company without referring to external assistance.

## **CHAPTER VIII REMUNERATION OF DIRECTORS**

**Article XXV. Directors Fees**

1. The remuneration of the Directors shall consist of a fixed established yearly amount and per diem for attendance at the meetings of the Board of Directors and its delegate and consultative Committees. The maximum amount of the remuneration that the Company may pay to its directors in the aggregate for both items shall be that to be established for such purpose by the Shareholders' Meeting, which amount shall remain in effect until the Shareholders' Meeting decides to modify it. The Board of Directors shall establish the accurate amount to be paid within such limit and its distribution among the Directors and the time schedule for its payment in the proportion it may freely decide. The criteria that the amount should reflect the actual work performed by each director shall be following when establishing the amount of the remuneration to be received by each one of them.

2. In addition, the Board of Directors shall ensure that the amount of the remuneration of the external director is such that incentives are provided for his work but this does not compromise his independence.

In addition, regardless of the remuneration contemplated in the above section, it could be forecast that remuneration systems will be established referenced to the listed value of the shares or that imply the delivery of shares or of stock options, for Directors. The implementation of such remuneration systems shall be resolved by the Shareholders' Meeting, which shall establish, if appropriate, the value of the shares used as a reference, the number of shares to be delivered to each Director, the price of exercise of the stock options, the term of effectiveness of such remuneration system and other terms and conditions it may deem advisable.

3. The Board of Directors shall prepare each year a report on the remuneration of its directors, which shall include full, clear and comprehensible information on the compensation policy of the Company approved by the Board of Directors for the financial year in progress and, if appropriate, that forecast for future years. It shall also include an overall summary of the manner in which the compensation policy was applied in the financial year, and a breakdown of the individual remuneration accrued for each of the directors.

The report shall be circulated and submitted to ballot, for consultative purposes, and as a separate item on the agenda, to the Annual Shareholders' Meeting.

4. The remuneration contemplated in the above sections, for being a Board member, shall be compatible with other professional or employment emoluments to which the Directors are entitled for other executive or advisory duties that, they may discharge for the Company other than those of supervision and decision-making acting as a body pertaining to their status as Directors, which shall be subject to the applicable legal system.

## **CHAPTER IX OBLIGATIONS OF DIRECTORS**

### **Article XXVI. General obligations of Directors**

In the performance of their functions, Directors shall operate with the due diligence of a responsible entrepreneur and loyal representative. Their action shall be guided exclusively by the best interests of the company and protecting and defending the best interests of the shareholders, to whom they directly answer. Specifically, directors are required to:

- a) Maintain informed of an appropriately prepare for meetings are of the Board and, as the case may be, the delegated committees to which they may belong;
- b) Attend the meetings of the Board of Directors and actively participate in the deliberations thereby in order to effectively contribute to the taking of decisions.

In the event that a director cannot attend a meeting for just cause, he or she shall instruct another director to act as proxy.

- c) Provide (and, to a greater extent, the independent directors) their strategic vision as well as the concepts, criteria, and innovative measures allow for the optimum development and evolution of the business activities of the Company.
- d) Perform any specific assignment by the Board of Directors or by any of the delegated or advisory bodies as may be reasonably included within their assigned competencies.
- e) Investigate any irregularity in the management of the Company as may be noticed and guard against any situation of risk.
- f) Request that persons with the capacity to call extraordinary meetings do so when deemed appropriate for include the relevant matter in the agenda of the first following ordinary meeting.
- g) Opposed any resolutions that violate the Law, the bylaws or the best interests of the Company and request that their positions be reflected in the minutes when deemed appropriate to safeguard the best interests of the Company. Independent directors and other directors not affected by a potential conflict of interest must, especially, clearly expressed their opposition when any resolution May harm the interests of the shareholders not represented on the Board.

In the event that the Board of Directors adopt significant or reiterated decisions which a director has seriously opposed, the directors shall reach such conclusions as he or she may deem appropriate and, if deciding to resign, shall explain the reasons in the letter of resignation.

The foregoing shall similarly apply to the Secretary to the Board even if not a director.

In all cases, Directors shall dedicate sufficient time and effort to their functions as may be needed for the efficient and proper performance of their duties and, consequently: (a) the directors shall inform the Appointments and Remuneration Committee of any other professional obligations held which may affect their dedication; and (b) the Company

shall establish rules regarding the number of Boards to which directors may belong.

**Article XXVII. Confidentiality and professional secrecy**

1. Directors shall maintain all deliberations of the Board of Directors and of any committees to which they may belong as strictly confidential. They shall similar to apply to any other information to which they may have access during the performance of their functions.
2. This obligation shall remain in force including after the termination of their functions for any reason, maintaining the confidentiality of all information, data, reports and background which they may have had access in the performance of their functions and refraining from disseminating or otherwise releasing any such information to third parties when such dissemination May harm the best interests of the Company. This obligation shall not apply to that information which may by law be revealed or which must be revealed in response to legal requirement by supervisory authorities, in which case the release of such information shall comply with all legal requirements.

**Article XXVIII. Obligation not to compete**

Directors may not engage, for they own account or for the account of third parties, in any activity that is the same as or similar or supplementary to the activity making up the corporate purpose or hold any position as a director or executive of companies in competition with the Company, excepting such positions as may be held in group companies, without the express authorisation of the Shareholders in General Meeting, without prejudice to that set forth in articles 227 to 229 of the Spanish Corporations Law.

**Article XXIX. Conflicts of interest**

1. Directors shall notify the Board of Directors of the existence of any potential conflict of interest and of stained from attending or participating in deliberations that directly affect them.

Matters are also considered to directly affect a director if it affects any of the following persons:

- The spouse or domestic partner;
- The ascendants, descendants, siblings and their spouses or domestic partners;
- The ascendants, descendants, siblings of the spouses or domestic partner; and
- Affiliated parties and companies or entities in which any of the above persons may have a significant influence.

In the case of legal person directors, the following shall be considered as affiliated parties:

- The shareholders which incur, with respect to the legal person director, in any of the situations established under article 42, section 1 of the Commercial Code.
  - The directors, in fact or in law, the liquidators and the agents with general powers of attorney of the legal person director.
  - The companies in the same corporate group and the shareholders thereof.
  - Any person considered as an affiliated party with respect to the legal person director or the representative thereof.
2. Directors may not use the name of the Company or their position as a director for carrying out any operation or transaction in their own name or in the name of affiliated parties.
  3. Directors may not directly or indirectly carry out any professional or commercial transactions with the Company unless the Board of Directors is informed of the conflict of interest and approves the transaction.
  4. In the event of recurring up or routine transactions in the normal course of business of the Company, a generic authorization by the Board of Directors may be granted.

#### **Article XXX. Use of corporate assets**

Directors may not use the assets of the Company or take advantage of their position with the Company to gain and economic advantage unless appropriate compensation is provided.

#### **Article XXXI. Inside information**

Directors shall follow the code of conduct established under securities law and, particularly, the Internal Code of Conduct regarding Matters relating to the Securities Exchanges and the Companies Shares and the handling of inside information.

#### **Article XXXII. Business opportunities**

1. Directors shall not take advantage on their own behalf or on behalf of any affiliated parties, as defined under article 29 above, of any business opportunities available to the Company unless previously offered to the Company and refused thereby.

2. For the purposes of the foregoing, a business opportunities understood to be any possibility of investment or commercial operations arising orgies covered in connection with the performance of the functions of the director or by using the resources and information of the Company or under such circumstances and may reasonably be considered to have been offered to the Company by a third party.

**Article XXXIII. Indirect operations**

Directors shall be considered to have violated their obligations of loyalty to the Company in, with previous knowledge, they allow or fail to reveal the existence of operations carried out by the parties identified in article 29.1 above which have not been subjected to the conditions and controls established in the previous articles.

**Article XXXIV. Required information from directors**

1. Directors must inform the Company of the company shares held directly or indirectly thereby or through the persons identified in article 29.1 above, in conformity with the Internal Code of Conduct on Matters Relating to the Securities Exchanges.
2. Directors shall also inform the Company about any facts, circumstances or situations that may be relevant to his activity as a director of the Company in accordance with these Rules. Likewise, all directors must inform the Company of any circumstances that could damage the reputation of the Company. In this regard, the directors must inform the Company about any criminal actions in which they are named as an accused, and about any subsequent procedural issues; about any disqualification procedures brought against them, about financial situations verging on insolvency faced by companies that they represent or in which they are involved; or, if applicable, about the initiation of insolvency proceedings against such companies.

In the event that a director is charged with any of the crimes identified under article 213 of the Spanish Corporations Law, the Board shall examine the cause as soon as possible and, in accordance with the specific circumstances, decide on the appropriateness of the director continuing.

**Article XXXV. Transactions with significant shareholders**

1. The performance by the Company of any transaction with the Directors or with Significant Shareholders or represented in the Board of Directors by persons related to them shall be subject to prior authority by the Board of Directors and require a favourable prior report by the Audit Committee. Authorisation by the Board of Directors shall not be required for those operations that comply with all of the following three conditions: (i) The transactions are performed pursuant to contracts with standardised conditions applied generally to a large number of clients; (ii) The transactions carried out at general market prices for the specific good or service provided, and



(iii) the total value of the transaction does not exceed 1% of the annual income of the Company.

Directors affected by such transactions shall not vote, either directly or by proxy, or participate in the deliberations on such transactions, leaving the meeting of the Board of Directors until the voting is complete. The affected director or directors shall not be counted for purposes of quorum or majority for the vote in question.

2. The Audit Committee and the Board of Directors, prior to authorising such transactions by the Company, shall evaluate the transaction from the point of view of equal treatment of shareholders and the application of market conditions.

## **CHAPTER X RELATIONSHIPS OF THE BOARD**

### **Article XXXVI. Website**

1. The Company shall maintain a corporate website with information for shareholders and investors which shall include the documents and information as required by Law, and, at the least, the following:
  - The current Charter and Bylaws and any amendments made over last 12 months;
  - The current regulations of the Annual General Meeting;
  - The Regulations of the Board of Directors and, if appropriate, the Regulations of the Committees created by the Board of Directors;
  - The annual sustainability report or sustainability information for the last two fiscal years after presentation to the Annual General Meeting;
  - The current Internal Code of Conduct on the Securities Exchanges;
  - The last Annual Corporate Government Report;
  - Upon the publication of the notification for the Annual General Meeting or for Extraordinary Shareholder Meetings, a copy of the notification with relevant information to allow shareholders to cast their votes and the agenda for the meeting;
  - Information on the development of the shareholder meetings held during the current year and the previous year and, in particular, on the agendas, the composition of the Annual General Meeting when constituted, the resolution adopted, with the number of votes issued for and against for each item on the agenda;
  - Contact information for communications between the Company and the shareholders and, in particular, relevant explanations regarding the exercise by the shareholders of their right to information;
  - The means and procedures for assigning a proxy for the shareholder meetings, from the first notification of the Meeting until after the close of the meeting;
  - The means and procedures for remote voting;
  - The relevant events communicated to the National Securities

Exchange Commission (CNMV) for the current year and the previous year;

- The following information on directors: (i) professional profile and biography; (ii) other relevant Boards of Directors to which they belong, whether the companies are publicly traded or not; (iii) indication of the category of director, identifying the shareholder in the case of directors representing major shareholders and any affiliations; (iv) date of first appointment as a director of the Company and subsequent renewals, and (v) Company shares held and any share equivalents.

In addition, pursuant to article 539 of the Corporations Law, an Electronic Forum for Shareholders shall be enabled in the web page of the Company, which may be accessed with the due safeguards both by the individual shareholders and by the voluntary associations that they may organize, to facilitate their communication prior to the holding of Shareholders' Meetings.

2. The Board of Directors is responsible for obtaining the information which must be reflected on the Company's website in compliance with stock market regulations and is responsible for updating the information as established under applicable law.

**Article XXXVII. Relationships with shareholders**

1. The Board of Directors shall establish appropriate channels for the shareholders to make such proposals as they may deem appropriate regarding the management of the Company.
2. The Board, through any of its members, with the collaboration of the members of senior management as may be deemed appropriate, may organise meetings to report on the performance of the Company and its Group for shareholders residing in near any of the major markets in Spain or overseas (i.e. road shows).
3. Public proxy requests made by the Board of Directors or by any of its members must indicate the specific vote to be made if the shareholder does not provide instructions.
4. The Board of Directors shall promote the participation of shareholders in the general meetings and adopt such measures as may be deemed appropriate so that the shareholders may freely exercise their rights under the Law and the bylaws.

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

- a) Using its best efforts, prior to shareholder meetings, make available to the shareholders all information as may be legally required or may otherwise be of interest to them and may reasonably be supplied.

- b) Answer, with extreme diligence, the request for information submitted by shareholders prior to meetings.
- c) Answer, with similar diligence, the questions posed by shareholders during the meetings.

**Article XXXVIII. Relationships with institutional shareholders**

- 1. The Board of Directors shall similarly establish appropriate communication channels for the institutional shareholders of the Company.
- 2. In no case shall the relationships between the Board of Directors and institutional investors result in the delivery of any information which could provide any advantage over other shareholders.

**Article XXXIX. Relationships with the markets**

- 1. The Board of Directors, through the notification of a relevant events to the Spanish National Securities Exchange Commission and the through the corporate website, shall immediately inform the public of any relevant information in the terms established in the Securities Exchange Act and other relevant legislation.
- 2. The Board of Directors shall adopt such measures as may be necessary to assure that the quarterly, half-yearly and any other financial information which must be prudently released to the market is prepared in accordance with uniform criteria and professional practices applied on a consistent basis with the annual financial statements and are of the same reliability.
- 3. The annual information published by the Board of Directors shall include information on the rules of corporate governance and the degree of compliance therewith.

**Article XL. Relationships with auditors**

- 1. The Audit Committee shall propose the appointment of external auditors to the Board of Directors as well as the contract conditions, the scope of the mandate and, as the case may be, the revocation or cancellation of the mandate for submission to the Shareholders in General Meeting, as specified under article 13.3 of these Regulations.
- 2. The Audit Committee shall not propose to the Board of Directors, and therefore not submit to the Shareholders, any auditor from any firm that incurs any of the causes of incompatibility pursuant to applicable legislation on account auditing or any account auditors whose fees would exceed 5% of the total income recorded in the previous year by the Company.
- 3. The Board of Directors shall prepare the financial statements and sub Commander to assure that the account auditor can issue an

unqualified opinion. Exceptionally, if a qualified opinion is issued, the Chairman of the Audit Committee and the external auditors shall clearly explain to the shareholders the reasons for the qualifications. Nonetheless, if the Board feels that it should maintain the criteria used, it shall publicly explain the content and scope of the discrepancy.

**Article XLI. Valid date**

These regulations shall have an indefinite duration and shall take effect on the first day following the official listing of the shares of the Company on the Securities Exchange and shall be applicable to the meetings of the board of directors called at any time after it takes effect.