

# Regulation of the Board of Directors of Banco de Sabadell, S.A.

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## CHAPTER I. INITIAL MATTERS

### **ARTICLE 1. PURPOSE**

1. The purpose of this Regulation is to determine, within the framework of the Articles of Association, the principles governing the actions of the Board of Directors of BANCO DE SABADELL, S.A., the basic rules of its organisation and operation, and the code of conduct for its members.
2. The rules of conduct established in this Regulation for directors are also applicable, mutatis mutandis, to the company's senior executives.

### **ARTICLE 2. INTERPRETATION**

This Regulation shall be interpreted in accordance with the applicable current law and the Articles of Association.

### **ARTICLE 3. AMENDMENT**

1. This Regulation may only be amended by the Board of Directors itself based on a reasoned proposal in writing by the Chairman, three directors, or the Audit and Control Committee.
2. The Audit and Control Committee must be consulted on any proposals for amendment.
3. The text of the proposal and the report of the Audit and Control Committee, where applicable, must be attached to the notice of the Board meeting that must decide on the proposal.
4. In order to be validly adopted, amendments to the Regulation must be approved by a two-thirds majority of the directors present at the meeting.

### **ARTICLE 4. DISTRIBUTION**

The directors are obliged to be aware of, comply with, and ensure compliance with this Regulation. To this end, the Secretary to the Board shall provide each of them with a copy of same.

## CHAPTER II. MISSION OF THE BOARD

### ARTICLE 5. GENERAL SUPERVISORY FUNCTION

1. With the exception of matters falling within the remit of the Shareholders' Meeting, the Board of Directors is the highest decision-making body in the Company and its consolidated group, and it is responsible, under the law and the Articles of Association, for the management and representation of the Company.
2. Within the scope of the Articles of Association and the decisions of the Shareholders' Meeting, the Board of Directors represents the Company and its decisions are binding upon it. It is the competence of the Board of Directors to take such action as may be necessary in pursuit of the Company's object as described in the Articles of Association.

The Board of Directors, following consultation with the Appointments Committee, shall assess the performance of the Board itself and the discharge of their duties by the Chairman of the Board and the Managing Director. Likewise, following a report by the Board's sub-committees, the Board shall evaluate their performance.

3. Notwithstanding the foregoing provisions, the Board of Directors acts mainly as an instrument of supervision and control and delegates management of the Company's ordinary business matters to the executive organs and management team.
4. Powers may not be delegated where they are required by law or the Articles of Association to be exercised directly by the Board of Directors or they are necessary for the responsible performance of the general supervisory function.
5. Specifically, to ensure better and more efficient performance of its general supervisory duties, the Board undertakes to discharge the responsibilities provided by law, including:
  - a) those deriving from the generally-applicable corporate governance standards.
  - b) approving the Company's general strategies;
  - c) appointing and, as necessary, removing senior executives of the Company;
  - d) appointing and, as necessary, removing directors of the Company's

subsidiaries;

e) identification of the Company's and its consolidated Group's main risks and implement and monitor the appropriate internal control and reporting systems.

f) setting policy on the reporting and disclosure of information to shareholders, the markets and the general public;

g) setting policy on treasury stock in accordance with any guidelines laid down by the Shareholders' Meeting;

h) authorizing transactions between the company and its directors and significant shareholders that may pose a conflict of interest;

i) generally deciding on business or financial transactions that are of particular importance for the Company; and

j) those specifically envisaged in this Regulation.

6. If the power of representing the Bank is delegated or assigned to one or more directors, either individually or collectively, they shall be obliged to inform the Board of any actions they take in the exercise of such powers which go beyond ordinary administration.
7. The Board of Directors shall have the power and function to determine and establish the limits and conditions to be met by the risk and investment transactions that may be arranged by each of its subsidiaries, and the rates and general conditions to be complied with in such transactions, without prejudice to the functions of the boards of such subsidiaries.
8. As part of its duty of representing BANCO DE SABADELL, S.A., the Board of Directors shall appoint the chairmen of the boards of directors of the operating subsidiaries.

Appointees shall be obliged to inform the Board of Directors of the respective subsidiaries' business performance.

## **ARTICLE 6. MISSION OF THE BOARD**

1. The Board of Directors of the Company shall effectively take on the powers of managing, overseeing and representing the Company as attributed to it by current law and the Articles of Association, with the objective of attaining the company's object, defending the shareholders' interests, and seeking to progressively increase the company's value.

2. In pursuit of those goals, the Board shall determine the Company's economic and financial objectives and decide upon the strategy, plans and policies for achieving them, supervise the progress of the business, and ensure the company's future viability and competitiveness.
3. In order to attain the aforementioned objective, the Bank's Board of Directors must comply with the law, fulfil in good faith all explicit and implicit agreements with the workers, suppliers, financiers, customers and any other persons, and generally comply with the ethical standards required for responsible conduct of business.
4. On the basis of a report from the Audit and Control Committee, the Board of Directors shall draw up an annual report on the structure and practice of corporate governance within the Company.

### CHAPTER III. COMPOSITION OF THE BOARD OF DIRECTORS

#### ARTICLE 7. COMPOSITION

1. The Board of Directors shall be comprised of the number of board members determined by the Shareholders' Meeting within the limits established by the Articles of Association.
2. The Board shall propose, to the Shareholders' Meeting, the number of members that, in accordance with the changing circumstances of the Company, is most suitable for ensuring proper representativeness and the efficient operation of the Board.
3. When exercising its powers to make proposals to the Shareholders' Meeting and to co-opt persons to fill vacancies, the Board of Directors shall strive to ensure compliance with the provisions of the law and the Articles of Association, particularly:
  - a. That the persons proposed as directors meet all the requirements necessary to hold that position and are not in a situation of incompatibility or prohibited from holding such a position by the Articles of Association or current law.
  - b. That external or non-executive directors represent a majority of the total number of directors; and

- c. That there is a significant proportion of independent directors among the external or non-executive directors.
4. The Remuneration Committee shall ensure that, where directors work as executives within the Bank, their professional relationship with the Bank is regulated by a specific contract approved by the full Board.
5. Directors who have stepped down for reason of age or because they do not wish to seek re-appointment may, if allowed by the Articles of Association, be proposed by the Board of Directors for appointment as Honorary Directors; such appointment must be approved by the Shareholders' Meeting. Honorary Directors may, when invited, attend meetings of the Board and may speak but not vote at such meetings.

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

##### **ARTICLE 8. THE CHAIRMAN OF THE BOARD OF DIRECTORS, THE MANAGING DIRECTOR AND THE LEAD DIRECTOR**

1. The Chairman of the Board of Directors, once notified by the Appointments Committee, shall be elected from among its members and must fulfil the requirements of the Articles of Association and this Regulation in order to hold office.
2. The Chairman of the Board of Directors is the Bank's chief representative and, in performing his functions, he is the person with primary responsibility for the effectiveness of the Board of Directors, representing the Bank in any event, and signing on behalf of the company; he will convene and chair meetings of the Board of Directors, setting the agenda, directing the debates and deliberations within the Board of Directors, and, in the event, the General Meeting, and shall be responsible for executing the decisions adopted by the Board of Directors and the General Meeting of Shareholders without the need for this to be expressly mentioned. Moreover, the Board shall delegate to him all the powers that it sees fit which may be delegated by law.
3. Should the Chairman be unable to discharge his duties for any reason, his place shall be taken by the First Vice-Chairman and, in the absence of the latter, by the Second Vice-Chairman; if both are absent, the Chairman's place shall be taken by the director designated for this



purpose by the Board of Directors.

4. The Board may appoint one of its members as Managing Director.

The Managing Director shall be the person with primary responsibility for managing and directing the business, and he shall be the Bank's representative in the absence of the Chairman. Moreover, the Board shall delegate to him all the powers that it sees fit which may be delegated by law.

5. The Board of Directors may designate a Lead Director from among the independent directors with the power to give notice of meetings of the Board of Directors, add items to the meeting agenda, coordinate and meet with the non-executive directors, voice the opinion of the external directors, and direct any regular assessment of the Chairman of the Board of Directors.

In the absence of the Chairman and the Vice-Chairmen, if any, the Lead Director shall chair the Board of Directors.

#### **ARTICLE 9. VICE-CHAIRMEN**

1. In accordance with the provisions of article 54 of the Articles of Association, the Board shall appoint one or more Vice-Chairmen; if there is more than one, they shall be numbered sequentially.
2. The Vice-Chairmen shall be appointed from among the directors who fulfil the requirements for that position as established in the Articles of Association.

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

1. The Board of Directors shall appoint a Secretary and, if necessary, a Deputy Secretary, who need not be directors. If they are not directors, they shall not have a vote. The appointment and removal of the Secretary and Vice-Secretary of the Board must be decided by the full Board based on a report, in both cases, by the Appointments Committee.
2. The Secretary or, in his absence, the Vice-Secretary shall be responsible for taking minutes at Shareholders' Meetings and at meetings of the Board of Directors and for signing them with the Chairman; he shall also keep the minute books and issue any necessary certificates, which shall be countersigned by the Chairman or acting Chairman.

3. The Secretary and Vice-Secretary shall assist the Chairman in his duties and shall strive to ensure that the Board operates smoothly; in particular, they shall provide the directors with the necessary advice and information, preserve company documentation, duly reflect the business transacted at meetings in the minute books, and certify the decisions adopted by the Board.
4. The Secretary and Vice-Secretary shall strive to ensure the formal and material legality of the Board's actions in all cases and shall ensure that its proceedings and rules of governance are respected and regularly reviewed.
5. In the event of the Secretary being absent or incapacitated or in the event of the position being vacant, his duties shall be undertaken by the Vice-Secretary or, if none has been appointed, by a director designated by the Board.

#### **ARTICLE 11. DELEGATED BODIES OF THE BOARD OF DIRECTORS**

1. The Board of Directors may, with the quorum established by the Articles of Association, permanently delegate, in whole or in part, such of its powers as may legally be delegated, as it may see fit, to members of the Board, to be exercised by them collectively as Delegated Committees.
2. The Board of Directors must establish the Delegated Committees that the Company is required to establish by law, and at least the following:
  - Executive Committee
  - Audit and Control Committee
  - Appointments Committee
  - Remuneration Committee
  - Risk Committee
3. Meetings of the Board Sub-Committees shall be convened by their Chairman. In all matters not expressly regulated in the Articles of Association and this Regulation, the rules of operation established in this Regulation for the Board of Directors shall apply, provided that they are compatible with the nature and function of the Sub-Committee.
4. Without prejudice to the specific provisions of this Regulation with regard to each specific Delegated Committee, the committees shall

comprise two or more directors, as decided by the Board of Directors, and shall be chaired by the Chairman of the Board of Directors or, in his absence, by the director designated by the Committee itself from among its members. The Secretary of each of the Sub-Committees shall be appointed by the Board of Directors and need not be a director. In any case, the minutes shall be checked and attested to by the Secretary or Vice-Secretary of the Board, who shall issue the pertinent certifications.

5. Each Sub-Committee may ask any executives that it sees fit to attend its meetings, by giving notice to the General Manager(s) to make the necessary arrangements.
6. Without prejudice to the specific provisions of this Regulation with regard to each Sub-Committee, the Chairman of each Sub-Committee shall determine the order or frequency of meetings and shall convene meetings.
7. Any director shall be entitled to gather information, on behalf of the Board, in connection with any decision corresponding to a Sub-Committee.
8. The Bank's Board committees may also exercise the functions of these committees for subsidiary companies that require such bodies due to the application of their specific regulations at any given time.

## **ARTICLE 12. THE EXECUTIVE COMMITTEE**

1. The Executive Committee shall consist of a maximum of five directors, who shall be appointed by the Board of Directors; its composition in terms of director categories shall be similar to that of the Board itself.
2. The Executive Committee shall coordinate the Bank's executive management and, to this end, adopt any resolutions and decisions within the scope of the powers vested in it by the Board of Directors.

The Executive Committee shall report to the Board of Directors on the decisions adopted at its meetings.

3. The Chairman of the Board of Directors shall always be a member of the Executive Committee, in which he shall hold the position of Chairman.
4. The Executive Committee shall meet as often as it is convened by its Chairman, or by the Vice-Chairman acting in his place; any person,

whether they belong to the Company or otherwise, may attend meetings if requested to do so by the Committee itself or by its Chairman, for the purposes to be determined on the basis of the business to be transacted.

5. The Secretary of the Committee, and his substitute in the event of absence or illness, shall be appointed by the Board of Directors, and need not be a Board Member.
6. Meetings shall be quorate if attended by at least half of the members, in person or by proxy, and resolutions shall be adopted by majority vote of those attending, in person or by proxy, the Chairman having a casting vote. The members of the Committee may grant proxy to another member, but no member may hold more than two proxies.
7. The resolutions of the Committee shall be recorded in a Minutes Book, and each set of minutes shall be signed by the Chairman and the Secretary or by the persons who occupied those positions at the meeting in question, as provided for by this Regulation.

#### **ARTICLE 13. AUDIT AND CONTROL COMMITTEE**

1. The Audit and Control Committee shall comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; of the majority them must be independent directors. The Board of Directors shall appoint its Chairman from among the members who are independent directors, with the favourable vote of two-thirds of its members. At least one of the members of this Committee will be appointed in consideration of his/her expertise in accounting, auditing, or both. Other non-executive directors may be designated to attend and speak but not vote in order to cover absences or vacancies. The Chairman of the Audit and Control Committee shall hold office for at most 4 years and may only be re-elected after a lapse of one year. The Board of Directors shall appoint the Committee Secretary, who may not be a director.
2. The Audit and Control Committee must meet at least once every three months, and whenever convened by the Chairman at his own initiative or at the request of any Committee member, or at the request of the Chairman of the Board of Directors or of the external auditors.
3. Minutes of the meetings of the Audit and Control Committee shall be drawn up by the Secretary appointed by the Board of Directors. The business transacted at Committee meetings shall be reported to the

Board of Directors at the next meeting by means of a reading of the minutes of each meeting.

4. The Audit and Control Committee may require the attendance at its meetings of such executives, including executive directors, as it sees fit, to which end it shall notify the General Manager(s) to schedule their attendance.
5. The Audit and Control Committee has the responsibilities established by law, including:
  - a) Reporting to the General Meeting on all issues raised by shareholders that are within its remit.
  - b) Supervising the effectiveness of the company's internal control, internal audit and risk management systems, including those relating to tax risk, as well as discussing with the auditors or audit firms any significant weaknesses in the internal control system detected in the course of the audit;
  - c) Overseeing the drafting and presentation of regulated financial information.
  - d) Proposing to the Board of Directors, for submission to the Shareholders' Meeting, the appointment of the external auditor, establishing the engagement conditions, the scope of the professional mandate, and revocation or non-renewal, if appropriate; reviewing compliance with the audit contract, striving to ensure that the opinion on the financial statements and the main content of the auditors' report are drafted clearly and accurately.
  - e) Advising on the annual, quarterly and half-yearly financial statements and the prospectuses that must be submitted to the regulatory or supervisory bodies, exercising vigilance to ensure compliance with the requirements of the law and the proper application of generally accepted accounting principles, and advising on proposals to amend those principles.
  - f) Establishing the appropriate relations with external auditors to receive information about any issues that might jeopardise their independence, to be reviewed by the Committee, and any others related to the process of performing the audit functions or in the audit rules.

- g) Advising on all matters within the scope of its functions that are referred to it by the Board of Directors.
  - h) All other functions assigned to it by law or by the Articles of Association and the regulations implementing them, and those deriving from the generally-applicable corporate governance standards.
6. The Audit and Control Committee shall draft an annual report on its activities, which must be included in the Directors' Report referred to in article 81 of the Articles of Association.

#### **ARTICLE 14. APPOINTMENTS COMMITTEE**

1. The Appointments Committee shall comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. In any event, the Chairman of the Committee shall be appointed from among its members who are independent directors.

Nevertheless, at the request of the Committee's Chairman, General Managers, even if directors, may attend meetings when issues of the Bank's senior management are being discussed, except where the issues do not refer directly to them or to the Chairman of the Board of Directors.

2. Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors or this Regulation, the Appointments Committee shall have the following basic duties:
- a) make proposals to the Board of Directors as to the appointment of independent directors, for co-optation or for remittal to the General Meeting, and as to the re-appointment or removal of such directors;
  - b) advise on proposals to appoint other directors by co-optation or for remittal to the General Meeting, and on proposals to re-appoint or remove them;
  - c) ensure that the composition of the Board of Directors complies with the provisions of article 53 of the Articles of Association;
  - d) check that the members of the Board of Directors are suitable and possess the necessary competency, knowledge and experience;

- e) advise on the appointment and removal of senior executives and the Designated Group;
  - f) advise on the basic conditions of the contracts of executive directors and senior executives;
  - g) examine and organize succession plans for the Chairman of the Board of Directors and of the Bank's chief executive and, as appropriate, make proposals to the Board;
  - h) establish a target for representation of the gender that is less represented on the Board of Directors and draw up guidelines on how to achieve that target;
3. The Appointments Committee shall meet whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and whenever it is advisable in order to properly discharge its duties. In any case, it shall meet once per year to provide advice in advance on the Board's performance evaluation.

#### **ARTICLE 14<sup>bis</sup> REMUNERATION COMMITTEE**

1. The Remuneration Committee shall comprise at most five directors appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. In any event, the Chairman of the Committee shall be appointed from among its members who are independent directors.

Nevertheless, at the request of the Committee's Chairman, General Managers, even if directors, may attend meetings when issues of the Bank's senior management are being discussed, except where the issues do not refer directly to them or to the Chairman of the Board of Directors.

2. Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors or this Regulation, the Remuneration Committee shall have the following basic duties:
- a) proposing, to the Board of Directors, the director remuneration policy
  - b) proposing, to the Board of Directors, the remuneration policy for General Managers and others performing senior management functions who report directly to the Board of Directors, the Executive Committees or the Managing Directors, and the

individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with

- c) regularly reviewing remuneration policy
  - d) advising on remuneration programmes based on shares and/or options
  - e) periodically reviewing the general principles of remuneration and the remuneration programmes for all employees, and considering whether they conform to those principles;
  - f) ensuring that remuneration is transparent;
  - g) ensuring that any conflicts of interests are not detrimental to the independence of external advisors
  - h) verifying the information on remuneration contained in the various corporate documents, including the Report on Director Remuneration.
3. The Remuneration Committee shall meet whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and whenever it is advisable in order to properly discharge its duties. In any event, the Committee shall meet once per year to prepare the information on directors' remuneration that the Board of Directors must approve and include in its annual public documentation.
  4. The Committee shall also determine the bonuses for the senior executives of the Bank and its subsidiaries, at the proposal of the General Manager(s).

## **ARTICLE 15. RISK COMMITTEE**

1. The Risks Committee shall comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; they must have the appropriate knowledge, skill and experience to fully understand and oversee the Bank's risk strategy and risk appetite; at least two of them must be independent directors. In any event, the Chairman of the Risk Committee shall be designated from among its members who are independent directors.
2. The Risk Committee shall have the following functions:
  - a) supervising implementation of the Risk Appetite Framework;



- b) determining, and proposing to the full Board, the annual limits on investment in the real estate market and the criteria and volumes applicable to the various types of investment;
  - c) reporting to the full Board regarding the performance of its functions under this article and other applicable legislation and provisions of the Articles of Association;
  - d) reporting on a quarterly basis to the full Board about the levels of risk assumed, investments made and their performance, and the potential repercussions on Group revenues of variations in interest rates and the degree to which they conform to the VAR levels approved by the Board of Directors;
  - e) monitoring and detecting any excess over and above the approved tolerance thresholds, overseeing the activation of the contingency plans established for this purpose;
  - f) advising the Remuneration Committee as to whether the employee compensation programmes are coherent with the Bank's levels of risk, capital and liquidity.
3. The Risk Committee shall meet at least twice per month and whenever convened by its Chairman at his own initiative or at the request of any member of the Committee or of the Chairman of the Board of Directors.
  4. In the exercise of its functions, the Risk Committee may directly request the information it sees fit from both the director who is General Manager of Risk and the Director of Risk Control.
  5. The Secretary of the Committee, and his substitute in the event of absence or illness, shall be appointed by the Board of Directors, and need not be a Board Member.

## **ARTICLE 16. OTHER SUB-COMMITTEES**

The Board of Directors may decide to establish other committees under the provisions of Article 11 above, in keeping with article 58 of the Articles of Association, with the purposes and attributions that the Board itself may determine in each case, which in no event may coincide with those set out in this Regulation.

## CHAPTER V. OPERATION OF THE BOARD

### ARTICLE 17. MEETINGS OF THE BOARD OF DIRECTORS

1. The Board of Directors shall meet once per month and, upon the initiative of the Chairman, as many times as he sees fit for the proper operation of the Company. The notice of meeting shall always contain the Agenda, which must set out, among other points, the issues relating to reports from subsidiaries and the sub-Committees as well as any proposals and suggestions made by the Chairman and the other members of the Board and the General Manager(s) of the Bank, which must be presented at least five working days in advance of the date of the Board meeting; such proposals must be accompanied by the pertinent material for distribution to the Board Members. The Board itself shall approve the minutes and set the date of the next meeting.
2. The Chairman may convene extraordinary meetings and set their agenda in the notice. He must also convene a meeting at the request of any member of the Board, as provided in the Articles of Association. If the Chairman fails to give notice of a meeting in the five business days following receipt of a request in this connection from any director, the latter may ask the First Vice-Chairman to give notice of a meeting subject to the same advance notice.
3. Notice of extraordinary meetings of the Board may be given by telephone where the Chairman considers that it is warranted by the circumstances.
4. Both ordinary and extraordinary meetings may transact business that is not on the agenda, provided that the decision to do so is adopted unanimously.

### ARTICLE 18. TRANSACTION OF BUSINESS

1. The Board shall be quorate and shall adopt resolutions in accordance with the attendance and voting quorums set forth in the Articles of Association.
2. Decisions shall be binding upon directors not in attendance.
3. The Chairman shall direct the debate, seeking to ensure that all directors participate in the Board's deliberations.

## CHAPTER VI. APPOINTMENT AND REMOVAL OF DIRECTORS

### ARTICLE 19. APPOINTMENT OF DIRECTORS

1. Directors shall be appointed by the Shareholders' Meeting or the Board of Directors, in accordance with the provisions of the Capital Companies Act and the Articles of Association.
2. Directors must fulfil the requirements set out in the Articles of Association for their position and may not be in any disqualifying circumstances set out in the law or incur any of the prohibitions set out in the Articles of Association.
3. Directors shall be appointed for a term of at most four years and they can be re-appointed one or more times for periods of the same maximum duration.
4. Directors appointed by co-optation shall hold office until the next Shareholders' Meeting.

### ARTICLE 20. REMOVAL OF DIRECTORS

1. Directors shall stand down once their term has expired or when so decided by the Shareholders' Meeting or the Board of Directors in application of the powers vested in them by law or the Articles of Association.
2. They must also stand down:
  - a) When they fall under a situation of incompatibility or disqualification as established in the law or the Articles of Association.
  - b) If they are arraigned for alleged criminal acts or are subject to a disciplinary procedure by the supervisory authorities for a serious or very serious violation.
  - c) When their continuance on the Board might jeopardise the company's interests.

## CHAPTER VII. INFORMATION FOR DIRECTORS

### **ARTICLE 21. POWERS TO BE INFORMED AND TO INSPECT**

1. Directors are vested with the broadest powers to be informed about any aspect of the company, to examine its books, records, documents and other background information on the company's transactions and to inspect all of its installations. The right to information extends to subsidiaries, both domestic and foreign.
2. So as not to disturb the ordinary running of the company, the exercise of the powers of information shall be channelled through the Chairman or the Secretary to the Board, who shall attend to the director's requests by giving the information directly, providing appropriate access to individuals at the relevant level of the organization, or providing the means by which the director may carry out the desired formal examination and inspection on site.

## CHAPTER VIII. DIRECTORS' REMUNERATION

### **ARTICLE 22. DIRECTORS' REMUNERATION**

Without prejudice to the provisions of article 85 of the Articles of Association, directors shall be entitled to the remuneration set by the Board of Directors in accordance with the provisions of the Articles of Association on the basis of recommendations by the Remuneration Committee.

## CHAPTER IX. DIRECTORS' DUTIES

### **ARTICLE 23. DIRECTORS' GENERAL OBLIGATIONS**

1. In accordance with the provisions of this Regulation, the directors' function is to guide and oversee the company's management so as to maximise shareholder value.
2. In the performance of their duties, directors shall exercise the diligence

of an orderly entrepreneur and loyal representative, and shall be obliged, in particular, to:

- a) Inform themselves and prepare appropriately for meetings of the Board and any sub-committees to which they belong;
  - b) Attend the meetings of the bodies to which they belong and participate actively in the debates in order to make an effective contribution to the decision-making process.
  - c) Carry out any specific task entrusted to them by the Board of Directors that is reasonable within their obligations.
  - d) Investigate any irregularity in company management of which they may become aware, and monitor any situation of risk.
  - e) Urge the persons with the capacity to call meetings so that they may call extraordinary meetings of the Board or include the items they consider appropriate on the agenda of the next meeting to be held.
3. Directors must avoid situations of conflict of interest in the terms defined in the Capital Companies Act, including those where the beneficiary of the prohibited acts or activities is a related party of the director.

#### **ARTICLE 24. DIRECTORS' DUTY OF CONFIDENTIALITY**

1. Directors must keep secret the deliberations of the Board and the sub-committees of which they are members, and generally may not reveal any information to which they are privy by virtue of their position.
2. The duty of confidentiality shall persist even after the director ceases to hold office.

#### **ARTICLE 25. OBLIGATION NOT TO COMPETE**

1. Directors may not render professional services in Spanish companies whose object is wholly or partly similar to that of the company. This prohibition does not apply to positions at Group companies.
2. Before accepting a management position at another company or entity, directors must notify the Appointments Committee.

## **ARTICLE 26. PRIVATE INFORMATION**

1. The use by directors of private information for personal purposes shall only be admissible if the following conditions are met:
  - a) the information is not used in connection with the purchase or sale of securities;
  - b) its use does not affect the company or third parties, directly or indirectly;
  - c) the company does not hold an exclusive right or an analogous legal position with respect to the information to be used.
2. In addition to the condition set out in item a) above, where the Company's shares are listed on a stock exchange, the director must fulfil the rules of conduct established in the legislation on securities markets and, in particular, those set out in the Company's Code of Conduct with regard to the securities markets.

## **ARTICLE 27. DIRECTORS' DISCLOSURE DUTIES**

1. Directors must inform the company of any shares of same which they own directly or through companies in which they hold a significant stake. They must also disclose any shares held, directly or indirectly, by their close relatives.
2. Directors must also inform the company of all positions that they hold and activities that they perform in other companies or entities and, generally, of any fact or situation that may be material in connection with their actions as directors of the company.

## **CHAPTER X. RELATIONS OF THE BOARD OF DIRECTORS**

### **ARTICLE 28. RELATIONS WITH SHAREHOLDERS**

1. The Board of Directors shall establish the appropriate procedures for receiving proposals from the shareholders with respect to the management of the Company.
2. The Board of Directors shall encourage the informed participation of shareholders at Shareholders' Meetings and shall adopt such measures as

may be advisable to facilitate effective exercise by the Shareholders' Meeting of the functions assigned to it by the law and the Articles of Association.

#### **ARTICLE 29. RELATIONS WITH THE MARKETS**

1. If the Company's shares are listed on a stock exchange, the Board of Directors shall inform the public immediately regarding:
  - a) significant facts that are capable of having a significant influence on the process of price discovery;
  - b) changes in the company's ownership structure, such as variations in significant shareholdings, syndication agreements and other forms of coalition, that come to its knowledge;
  - c) material changes to the corporate governance rules;
  - d) the policies with respect to own shares that the company proposes to apply under the powers granted by the Shareholders' Meeting.
2. The Board of Directors shall adopt the necessary measures to ensure that the half-yearly, quarterly financial information and any other information that prudence requires be made available to the markets is prepared according to the same principles, standards and professional practices as the annual accounts and is equally reliable. To this end, that information shall be reviewed by the Audit and Control Committee.

#### **ARTICLE 30. RELATIONS WITH THE AUDITORS**

Relations between the Board and the company's external auditors shall be channelled through the Audit and Control Committee.