



# Regulations of the Board of Directors

October 25, 2016



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## CHAPTER I PRELIMINARY

### Article 1. Purpose

The purpose of these regulations is to establish the principles for the actions carried out by the Board of Directors of “COMPAÑÍA LOGÍSTICA DE HIDROCARBUROS CLH, S.A.” and the basic rules for its organization and operation.

### Article 2. Interpretation

These Regulations shall be interpreted pursuant to the legal and statutory requirements applicable and draw their inspiration from the best practices of transparency and good corporate governance.

The Board of Directors is responsible for resolving queries stemming from the application of these Regulations, according to the general criteria for interpreting the legal requirements and the spirit and purpose of the Corporate Articles of Association.

### Article 3. Modification

1. These Regulations may only be modified at the request of any Board Director, who must accompany that proposal with a supporting report explaining the causes and scope of the modification.
2. The text of the proposal and supporting report of its authors must be attached to the notice of the call of the Board Meeting that has to consider it.
3. In order for it to be valid, the modification of the Regulations shall require a resolution adopted by a qualified majority of 65% of the total number of Board Directors who form the Board.

### Article 4. Disclosure and validity

1. Board Directors and Senior Executives are under the obligation to be aware of, comply with and enforce compliance with these Regulations. For that purpose, the Secretary of the Board of Directors shall provide them all with a copy of them.
2. The Board of Directors shall take appropriate measures to ensure that the Regulations are made available to the shareholders. They shall be published on the Company's web site.
3. These Regulations shall come into force as from the date of their approval by the Board of Directors of the Company.



## CHAPTER II THE MISSION OF THE BOARD OF DIRECTORS

### Article 5. General administrative and supervisory function

1. The Board of Directors has authority in all matters relating to the management of the Company and, acting jointly, it shall have the power to represent the Company, in and out of court.
2. Except in matters reserved for the authority of the General Meeting of Shareholders, the Board of Directors is the Company's highest decision-making body.
3. The delegation of powers performed by the Board of Directors, within the limits laid down by law and by the Articles of Association, does not deprive the Board of such powers, and it may either revoke the delegation made or continue to adopt resolutions on matters which had been delegated.
4. The Board of Directors shall, in any case, adopt decisions on matters reserved for it by law or by provision of the Articles of Association.

The powers legally or statutorily reserved for the direct knowledge of the Board of Directors may not be delegated, nor may any others which are necessary for responsible performance of the general supervisory function.

### Article 6. Creating value for shareholders

1. The criteria that must prevail, at all times, in the activities of the Board of Directors is the maximisation of the value of the Company in both the short and long term, running the company and supervising the progress of business and ensuring the future viability of the same and its competitiveness.
2. In applying the foregoing, the Board shall determine and review the strategies of the Company pursuant to the criteria defined in article 7 below.
3. Within the scope of corporate organization, the Board shall adopt the necessary measures to ensure:
  - a) That the Company management seeks the creation of value for the shareholders and that it has the correct means and incentives to do so.
  - b) That the Company management is under the control and effective supervision of the Board.
  - c) That no person or small group of persons or shareholders has a decision-making power disproportionate to their shareholding and/or not subject to counterbalances and control.
  - d) That no shareholder receives privileged or discriminating treatment in relation to the other shareholders.



#### Article 7. Other interests

1. The maximisation of the Company's value in the interest of the shareholders must of necessity be undertaken by the Board of Directors respecting the requirements laid down by law, faithfully complying with the agreements and undertakings entered into with customers, workers, suppliers, funders, and, in general, complying with the ethical duties reasonably imposed by the responsible conduct of business.
2. The Board of Directors shall endeavour to ensure that the Company's equity policy and shareholders' remuneration policy is, at all times, the most appropriate policy for guaranteeing the funding of previously approved investments and making possible other courses of action which, in each instance, are necessary for maintaining and developing the profitability of its business and the adequate remuneration and value placement of the shareholders' shareholdings, in accordance with the opinion of the majority of the shareholders, expressed, in each instance, within the competent bodies of the Company. For that purpose, the Board shall propose to the General Meeting that each year at least fifty percent (50%) of the liquid amount distributable for the fiscal year is distributed in the form of dividends, unless that is prevented by any agreement entered into by the Company that requires the contrary to be done, or unless the General Meeting agrees on a different distribution with a qualified majority of at least 65% of the capital with the right to vote. The distribution of a result equal to or above the said 50% may be approved with the votes of the ordinary majority of the General Meeting.

Likewise, and provided that it is legally feasible, the Board shall agree, if possible before the end of each fiscal year, to a dividend payable on account of the results of the fiscal year.

3. The Board of Directors shall only consider those actions or initiatives aimed at the expansion and/or consolidation of the corporate business and at taking advantage of opportunities connected therewith that may increase the profitability of the Company and achieve greater value for the shareholder.

### CHAPTER III COMPOSITION OF THE BOARD OF DIRECTORS

#### Article 8. Composition of the Board

1. The Company shall be run by a Board of Directors composed of twenty one (21) Board Directors.
2. The appointment of Board Directors shall be made by a majority of votes corresponding to the subscribed capital with voting right present or duly represented at the General Meeting, without prejudice to the application of the proportional rule set forth in article 243 of the Capital Company Law so that the presence on the Board of Directors of at least one director representing shareholders who, either individually or grouped with others, hold a shareholding equal to or higher than 5% of the corporate capital is guaranteed.



## CHAPTER IV STRUCTURE OF THE BOARD OF DIRECTORS

### Article 9. The Chairperson of the Board

1. The Chairperson of the Board of Directors shall be elected from among the Board Directors and his/her appointment and removal from office shall require the favorable vote of 65% of the total number of Board Directors that form the Board.
2. The Chairperson, or the person replacing him/her, shall have the ordinary power to call the meeting of the Board of Directors, to set the agenda for its meetings, and direct the deliberations. However, the Chairperson must call a meeting of the Board and include matters on the agenda when requested to do so by at least one quarter of its members.
3. The Chairperson shall also have the functions which the Board of Directors decides, and for such purpose the relevant powers of attorney shall be granted or the relevant powers shall be delegated to him/her.

### Article 10. The Deputy Chairperson of the Board

The Board may appoint one or more Deputy Chairmen from among the Board Directors. If there is more than one Deputy Chairperson, each Deputy Chairpersonship shall be numbered. The number priority shall determine the order in which the Deputy Chairmen shall replace the Chairperson in the event of absence, disability or vacancy.

### Article 11. The Secretary of the Board

1. The Secretary of the Board of Directors, who must be a qualified lawyer, will not need to be a Board Director.
2. The Secretary shall assist the Chairperson in his/her tasks regarding calling General Meetings of Shareholders and the meetings held by the Board of Directors and other collegiate bodies acting by delegation of the latter, controlling the valid constitution and holding thereof, drafting the minutes which reflect the progress of such meetings and issuing a certificate of the resolutions adopted at them and shall see to the proper functioning of the Board, and is specially responsible for providing Board Directors with the necessary legal advice they may need and for sending them the necessary documents and information for the preparation and correct progress of the meetings; in addition, he/she shall be in charge of keeping and maintaining the books of minutes and of shareholders of the Company, duly including in those books the minutes of the General Meetings of Shareholders and of the meetings of the Board of Directors and other collegiate bodies of the Company that perform functions delegated by the Board, as well as the shareholding composition which may exist, in each instance, in the Company.
3. The Secretary shall at all times ensure the formal and material legality of the actions of the Board and see that its procedures and governing rules are respected and regularly reviewed.



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

1. The Board of Directors may appoint a Deputy Secretary, who will not need to be a Board Director, to assist the Secretary of the Board of Directors, or stand in for him/her, in the event of absence, disability or vacancy, in performing that function.

In the event of the absence, failure to attend or disability of them both, the youngest Board Director shall perform the functions of Secretary.

2. Unless the Board of Directors should decide otherwise, the Deputy Secretary may attend its meetings to replace the Secretary or assist him/her in drafting the minutes of the meeting.

#### **Article 13. The Chief Executive Officer or General Manager**

There shall be one Chief Executive Officer or General Manager, appointed and removed by the Board of Directors with the favorable vote of two-thirds of the Board Directors, to whom the Board of Directors shall delegate all and each of the legal and statutorily delegatable powers that it deems fitting. The Chief Executive Officer or General Manager shall be the ordinary executive body for the normal functioning of the Company.

All the members of the Board of Directors shall have the right to propose the appointment of the Chief Executive Officer or General Manager.

#### **Article 14. The Executive Committee**

1. Should the Board of Directors decide to set up an Executive Committee, the latter shall be composed of the number of Board Directors that the Board of Directors shall agree in each instance. The Chairperson of the Board of Directors shall, likewise, be the Chairperson of the Executive Committee and the Secretary of the Board shall perform the duties of Secretary of the Executive Committee, and may be assisted by the Deputy Secretary.

The qualitative composition of the Executive Committee must reasonably reflect the composition of the Board and the balance established in that body.

2. The adoption of resolutions for the appointment of the members of the Executive Committee shall require the favorable vote of at least two thirds of the members of the Board of Directors.
3. The permanent delegation of powers by the Board of Directors in favor of the Executive Committee shall comprise all or part of the powers of the Board, except for those which cannot be delegated pursuant to the law or to the Articles of Association or those that may not be delegated pursuant to these Regulations.
4. The Executive Committee shall, in principle, hold its ordinary meetings, on a monthly basis and shall be deemed to be validly constituted when half plus one of its members attend to the meeting, either personally or duly represented.
5. In instances where, in the opinion of the Chairperson or of one third of the members of the Executive Committee in office, the importance of the matter so requires, the resolutions adopted by the Committee shall be submitted for ratification by the plenary meeting of the Board of Directors.



A similar requirement shall be applicable with regard to the matters that the Board had referred to the Executive Committee to study, the final decision thereon being reserved for the Board.

In any other case, the resolutions adopted by the Executive Committee shall be valid and binding without the need for subsequent ratification by the plenary meeting of the Board.

6. The Executive Committee must inform the Board of the matters that it has dealt with and of all the resolutions adopted at its meetings and, in particular, in the event of matters that are the exclusive competence of the Board of Directors as laid down in the Articles of Association, it must inform the Board immediately of the action taken in that respect, making use of the powers delegated.
7. The members of the Executive Committee shall perform the duties of their office for the term for which they were appointed as Board Directors, and may be re-elected.

#### **Article 15. Auditing Committee**

1. The Auditing Committee shall be created by the Board of Directors to supervise the internal control systems and risk management of the company, the Internal Auditing and the regulated financial information, establishing the convenient relations with the external account audits.
2. Members of the Audit Committee will be independent and will be appointed taking into account his/her knowledge and experience in accounting, auditing, or both matters. The Chairperson of the Committee shall be appointed by the Board for a maximum period of four years, and may be re-elected once, one year after stepping down from that office.
3. The Auditing Committee shall be validly constituted when at least three of its members attend the meeting, either present or represented.

It must of necessity be held before the annual audit commences and before the approval of the financial statements. The Committee's Chairperson may call a meeting when he/she deems fitting, and, in any event, when a meeting is requested by at least two of its members.

The Committee members shall receive, with sufficient advance notice before each meeting, the agenda and the relevant reports or supporting documentation.

The minutes of the Audit Committee shall be submitted to the Board of Directors.

4. The Committee meetings will be attended, with the right to participate but not to vote, by the Economic-Financial Manager, the Internal Auditor and the External Auditor, who shall only attend when requested to do so. The Secretary of the Board shall attend in any case performing the functions of Secretary of the Committee.
5. The Auditing Committee shall accomplish, among others, the following tasks:
  - Inform the General Meeting of Shareholders of any issues raised by the shareholders at the Meeting in respect of the matters within its sphere of authority.
  - Propose to the Board the appointment or replacement of the external accounting Auditor, for its approval by the General Meeting, as well as his/her emoluments.



- Supervise the efficiency of the internal control of the company, the internal auditing services and the risks management systems, as well as discussing with the External Account Audits the meaningful weaknesses of the Internal Control System detected during the course of the Audit.
- Inform on the selection, appointment and withdrawal from office of the person in charge of the Internal Auditing service.
- Supervise the financial information's elaboration process and presentation.
- Establish the appropriate relationships with the external auditors in order to receive information about matters which may endanger its independence and any others connected with the process of carrying out the auditing of accounts, as well as any other communications set forth in the legislation concerning auditing of accounts and in the auditing regulations. Nonetheless, it shall receive annually from the External Account Audits a written confirmation of its independency from the entity or entities bounded with it, direct or indirectly, as well as the information of any kind of additional services provided to these entities by said Audits, or by the individuals or entities bounded to them in agreement with what's disposed at the Account Audit regulations.
- Announce annually, previous to the issue of the Account Audit report, a report in which an opinion regarding the independency of the External Account Audits shall be expressed. Said report shall be pronounced, in any case, about the additional services provided to which the previous section relates.
- Submit the annual Internal and External Auditing Budgets to the Board.
- Supervise compliance with the corporate code of conduct.
- Issue a prior report in the event of related agreements and/or conflict of interests, if any should occur.
- Inform and make proposals to the Board of Directors in connection with the measures it may deem appropriate in the activity, control and management systems and compliance with legal rules concerning informing the markets and the transparency and accuracy of the information.
- In general, to inform and expose proposal about any activity or matter determined by the Board of Directors connected with those mentioned above.

In the performance of its functions, the Committee shall be authorized to summon and ask any employee or Company executive for the information and advice it needs to carry out those tasks. Likewise, the Committee may seek external advice on matters within its sphere of authority, for the purpose of which the provisions of article 27 of these Regulations shall apply.

#### **Article 16. Appointment and Remuneration Committee**

1. The Appointment and Remuneration Committee shall be created by the Board of Directors to inform on or make proposals with regard to the appointment and remuneration of the Board Directors, the members of the Executive Committee and Committees of the Board and the Executives of the Company.



2. The Appointment and Remuneration Committee shall be composed of four members, appointed by the Board of Directors from among the Board Directors with no executive functions in the Company, and must reasonably reflect the composition of the Board and the balance established in that body. The Chairperson of the Committee shall be appointed by the Board. The Secretary shall be appointed by the Committee itself.
3. The Appointment and Remuneration Committee shall be construed to be validly constituted when at least three of its members attend the meeting, either present or duly represented.

The Appointment and Remuneration Committee shall hold its meetings every time the Board or its Chairperson ask for a report to be issued or for proposals to be adopted, and, in any event, whenever convenient for the good operation of its functions. In any case, it shall of necessity meet once a year in order to prepare the information and proposals concerning the remuneration of the Board Directors, which the Board of Directors has to approve and include within its annual public documents

The members of the Committee shall receive sufficiently in advance of each meeting the agenda and the relevant reports or supporting documents.

4. The meetings of the Appointment and Remuneration Committee shall be attended by the Chairperson of the Board, if he/she deems it appropriate, by the Chief Executive Officer and the Human Resources Manager, when they are asked to do so.
5. The Appointment and Remuneration Committee shall:
  - Inform the Board of the appointments, re-elections, dismissals and remuneration of the Board and of its posts, as well as of the general policy of remuneration and incentive schemes for the same and for the senior management.
  - Inform the Board of the general policy of remuneration of the other executives of the Company and of its subsidiary or investee companies.
  - Inform of the selection, appointment, promotion and dismissal of executives, to ensure that the Company has the highly qualified staff it needs to run it.
  - Submit reports and proposals to the Board concerning the decision to adopt in the event of the incompatibilities and conflicts of interests which arise regarding the Board Directors and Executives of the Company.

In the performance of its functions, the Committee shall be authorised to ask any Company executive for the information and advice it needs to perform those tasks. Likewise, the Committee may seek external advice on matters within its sphere of authority, for the purpose of which the provisions of article 27 of these Regulations shall be applicable.



## CHAPTER V OPERATION OF THE BOARD OF DIRECTORS

### Article 17. Board of Director Meetings

1. The Board of Directors shall meet, at the Chairperson's proposal, when deemed necessary in the interest of the Company or when required in accordance with the law or the Corporate Articles of Association, and at least once per quarter.
2. The calling of the Board meeting by request of the Board Directors, as set forth in article 9.2 of these Regulations, shall be performed by the Chairperson within fifteen calendar days of receipt of the request. If, after that period has elapsed, the Chairperson has not called the Board meeting, it shall be called by the appropriate Deputy Chairperson according to their order. Should no Deputy Chairperson have been appointed, the call shall be performed jointly by the Board Directors requesting it.
3. The call of the meetings, authorised with the signature of the Chairperson or of the Secretary or of the Deputy Secretary by order of the Chairperson, shall be sent by letter, telegram, telefax or electronic mail to the address of each of the Board members, and in the event of electronic mail, to the address that appears in the records of the Company, at least five working days before the day set for the meeting. For the purposes of the provisions of this section, Saturdays will be considered to be non-working days.

It shall not be necessary to send out the call of the meeting when all the Board members had been called at the previous meeting.

The call shall state the place, date and hour of the meeting and contain the agenda of the meeting, and the minutes of the previous meeting, when pending approval, and all the written material and supporting documents for the matters to be examined at the meeting that were available at the time of the call shall be attached. Should that not be advisable, in the opinion of the Chairperson, for security or confidentiality reasons, the information or documents affected by such reasons shall not be included, but the Board Directors shall be informed of the possibility of examining them at the corporate headquarters. The call of the meeting and the documents indicated above shall be sent as soon as possible to the non Spanish speaking Board Directors with a translation of the same in English.

4. The meeting of the Board shall be valid and effective without a prior call when, all the Board Directors being present or duly represented, they all agree to hold the meeting. Board meetings held by means of videoconference or by any other means of telecommunication which enables the Chairperson and the Secretary to establish the presence and identity of the Board Directors participating in the meeting, shall also be valid and effective provided that the technical conditions for such purpose are met, when the majority of the Board or corresponding Committee approves it.
5. The Board of Directors shall meet at the registered address, unless the call sets out another venue for holding the meeting, either in Spain or abroad.
6. The voting and the adoption of resolutions in writing and without a session shall only be valid when no Board Director objects to that procedure.



7. The Board of Directors shall, before the start of each fiscal year, prepare a calendar for the ordinary meetings, which may be altered by resolution of the Board or by decision of its Chairperson, and shall have a formal catalogue of the matters that will be dealt with. The Board shall devote at least one session per year to evaluate its operation and the quality of its works.

#### **Article 18. Constitution of the Board of Directors**

1. The Board of Directors shall be validly constituted to discuss and decide upon any matter when at least half plus one of the number of members thereof attend the meeting, either present or represented.
2. The members of the Board of Directors may only delegate their representation and their vote to another member of the Board.
3. The representation must be granted in writing and shall be specific for each meeting.

#### **Article 19. Meeting procedures**

1. The Board of Directors may deliberate and adopt resolutions on all the matters within its sphere of authority. The resolutions adopted must correspond to matters on the agenda of the relevant call or matters that the members of the Board have decided unanimously to discuss and vote.
2. The Chairperson shall organise and direct the debate, and endeavour to encourage participation by all the Board Directors in the deliberations of the body and, where appropriate, shall put matters to vote when he/she deems that they have been sufficiently debated. All the members of the Board of Directors shall have, both individually and jointly, the right to make proposals on all matters that fall within the sphere of authority of the Board of Directors, which must of necessity be deliberated by it.
3. Each Board Director, present or duly represented, shall have one vote. Except when the Articles of Association have established other voting quorums, the resolutions shall be adopted by absolute majority of the Board Directors who, present or represented, attend the meetings.
4. Should there be at least two Board Directors whose mother tongue were not Spanish, and should they so request, the meetings of the Board and, as the case may be, of the Executive Committee, shall be held with the presence, whenever it is feasible, of simultaneous translators, who shall enable those Board Directors to communicate with the other members of the Board.

#### **Article 20. Minutes of the Board of Directors meetings**

1. The Minutes of the meeting of the Board of Directors shall be drafted by the Secretary of the Board or, in his/her absence, by the Deputy Secretary. In the event of their absence, the Minutes shall be drafted by the person appointed by those present as Secretary of the meeting.
2. The Minutes shall be approved by the Board, at the end of the meeting or at the next meeting, or by the Chairperson, together with at least two other members of the Board of Directors.



## CHAPTER VI APPOINTMENT AND DISMISSAL OF BOARD DIRECTORS

### Article 21. Appointment of Board Directors

Board Directors shall be appointed by the General Meeting or, provisionally, by the system of co-opting, by the Board of Directors in accordance with the provisions contained in the applicable legislation and in the Corporate Articles of Association.

### Article 22. Appointment of Board Directors

1. It is not necessary to be shareholder in order to be appointed a member of the Board of Directors, unless the appointment is made by the Board of Directors by means of the system of co-opting.
2. The Board of Directors shall endeavour to ensure that the Board Director is chosen from among persons acknowledged to be honest and with accredited capacity and experience in matters constituting the Company's ordinary business or trade.

### Article 23. Duration of term of office

1. The members of the Management Body shall hold their post for a term of five years, counted from their respective appointment, and may be re-elected one or more times for periods of the same duration.
2. Board Directors appointed by way of co-opting shall hold their office subject to eventual ratification thereof by the first General Meeting of Shareholders held.
3. The Board Director whose term of office ends or who for any other reason does not continue to hold his/her office may not render services in any other entity that is a competitor in the geographic sphere of activity of the Company, for the period of time that is established and which shall under no circumstances be more than two years.

The Board of Directors, should it deem fitting, may decide that the out-going Director is exempt from such an obligation or decide to shorten the period of duration of this non-compatibility.

### Article 24. Resignation/dismissal of Board Directors

1. Board Directors shall stand down from office when the period for which they were appointed has elapsed and when the General Meeting, in the exercise of its legal or statutory authority, so decides.
2. Board Directors must tender their resignation to the Board of Directors and complete the formalities, if it deems fitting, for the relevant resignation in the following cases:
  - a) When they cease to hold the executive posts associated with their appointment as Board Director.
  - b) When they are involved in any of the legally stipulated cases of non-compatibility or prohibition.



- c) When they are found guilty of a criminal act or disciplined for serious or very serious misconduct in disciplinary proceedings conducted by the supervisory authorities.
  - d) When their continuance on the Board may put the Company's interests at risk or when the reasons for which they were appointed cease to exist.
  - e) In the case of a proprietary Board Director, when the shareholder whose interests he/she represents on the Board disposes of its stakeholding in the Company or reduces it to below the level that justified his/her appointment as such.
3. Members of the Executive Committee and of the Auditing and the Appointment and Remuneration Committees shall resign as members of such Committees when they do so in their capacity as Board Directors.

#### **Article 25. Objectivity and secrecy in voting**

1. In accordance with the provisions of article 32 of these Regulations, the Board Directors proposed for appointment, re-election or removal from office shall refrain from taking part in the deliberations relating to those proposals.
2. All voting by the Board of Directors relative to the appointment, re-appointment or removal from office of Board Directors shall be secret, if so requested by the majority of those attending.

## **CHAPTER VII** **BOARD DIRECTORS' INFORMATION**

#### **Article 26. Information and inspection powers**

1. Board Directors are vested with the widest powers to be informed on all aspects of the Company, to examine its books, records, documents and other past records of corporate operations and to inspect all of its installations. The right to information extends to all of its national or international subsidiaries.
2. To avoid interrupting the ordinary management of the Company, the use of information powers shall be channeled through the Chairperson of the Board of Directors, who shall attend to the Board Directors' requests, directly providing them with the information requested; offering them the appropriate representatives at the appropriate organisational level or arbitrating the necessary means to enable them to carry out inspections and examinations as desired in situ.
3. The Chairperson of the Board of Directors may temporarily and exceptionally, in writing and with sufficient reason, restrict access to certain pieces of information that have bearing on the Company's duty of confidentiality towards its clients, by reason of competence, informing the Board of Directors of that decision at the first meeting that it holds.

#### **Article 27. Expert Assistance**

1. In order to be assisted in their functions, the Board Directors may ask the Board of Directors to hire legal, accounting, financial advisors and other experts at the Company's expense.

The task assigned to the aforesaid external professionals must necessarily be related with specific problems of a certain degree of importance and complexity which arise in the course of their duties.



2. The request to hire external professionals must be made to the Chairperson of the Board and may be vetoed by the Board of Directors if any of the following circumstances is proven:
  - a) that it is not necessary for the adequate performance of the functions entrusted to the Board Directors;
  - b) that its cost is unreasonable taking into consideration the importance of the problem and of the assets and income of the Company; or
  - c) that the technical assistance sought may be adequately provided by experts and technicians within the Company.

## **CHAPTER VIII** **BOARD DIRECTORS' REMUNERATION**

### **Article 28. Board Directors' remuneration**

1. Board Directors shall be entitled to receive the remuneration established by the Board of Directors, subject to a prior report by the Appointment and Remuneration Committee, in accordance with the statutory provisions and those contained in these Regulations.
2. The Board shall endeavour to ensure that Board Directors' remuneration is adequate, taking into account the Company's financial situation and market circumstances; in any case, a significant part of that remuneration shall depend on the Company's performance in each fiscal year.
3. The remuneration of Board Directors shall be transparent. For that purpose, the Appointment and Remuneration Committee shall prepare an annual report on the remuneration policy for Board Directors, the conclusions of which shall be included in the relevant paragraph of the Annual Report.

## **CHAPTER IX** **BOARD DIRECTORS' DUTIES**

### **Article 29. General obligations of Board Directors**

1. Pursuant to articles 5, 6 and 7 of these Regulations, the function of Board Directors is to provide guidance for and control the management of the Company in order to maximize its value for the benefit of all the shareholders.
2. When performing their functions, Board Directors shall act with the diligence of an orderly businessperson and of a loyal representative, with the obligation, in particular, to:
  - a) Be apprised and prepare adequately the meetings of the Board and of the Commissions or Committees to which they belong.



- b) Attend meetings of the Commissions or Committees to which they belong and actively participate in the deliberations, obtaining information, expressing their opinion and urging the other Board Directors to reach the decision deemed most favorable for defending the corporate interest.

If, for a justified reason, they cannot attend the meetings to which they were called, they shall instruct another Board Director to represent them.

- c) Carry out any specific assignment with which they are entrusted by the Board of Directors and which is reasonably included within the scope of their pledged commitment.
- d) Promote the investigation of any irregularity in the management of the Company which came to their notice and oversee any risk situation.
- e) Urge persons authorised to call meetings to call an extraordinary meeting of the Board or to include the points they deem suitable on the agenda of the first meeting to be held.
- f) Oppose resolutions which are against the law, contrary to the Articles of Association or to the corporate interest, and ask for their position be included in the Minutes when they deem it more convenient in order to safeguard the corporate interest.
- g) Ask for the Board of Directors to be furnished with the information that they deem necessary in order to complete the information they have been provided with already, to enable them to reach an objective and entirely independent opinion of the general functioning of the running of the Company.

3. Board Directors appointed by proposal of the shareholders shall make every effort to achieve the common objectives of the Company and to that end they shall perform their duties diligently and loyally, contributing to the adoption of resolutions that benefit the Company.

#### **Article 30. Board Directors' duty of confidentiality**

1. Board Directors shall keep secret the deliberations of the Board of Directors and of the Commissions or Committees to which they belong, and shall in any case refrain from disclosing information to which they have had access in the performance of their duties.
2. The confidentiality obligation shall continue to exist even after they have stood down from office.

#### **Article 31. Non-competition obligation**

1. Notwithstanding the provisions of article 32, Board Directors may not perform any acts which might imply competition with the Company in its geographic sphere of activity.
2. Board Directors shall not render their professional services or act as a director in companies that have a corporate purpose totally or partially analogous to that of the Company or which may compete with the Company in the aforesaid geographic sphere, with the exception of offices that can be held in companies of the Group or in companies that are shareholders of the Company.
3. Before accepting any executive post in other company or entity, which might constitute a conflict of interests or have bearing on their commitment, Board Directors must consult the Board of Directors.



#### **Article 32. Conflicts of interest**

1. Board Directors shall refrain from taking part in deliberations that have bearing directly or indirectly on matters in which they have a personal interest.

Should the matter having bearing on a member of their family or on a company in which they hold an executive post or have a significant capital stakeholding, personal interest on the part of the Board Director shall also be deemed to exist.

Nevertheless when the matter has bearing on the company that is the shareholder of the company on the initiative of which the said Board Director was appointed or on the group of companies to which that shareholder belongs, personal interest on the part of the Board Director that not be deemed to exist.

2. Board Directors may not carry out directly or indirectly professional or business transactions with the Company without giving prior notice of conflict of interests, and without the Board, subject to a prior report by the Appointment and Remuneration Committee, giving its approval to the transaction.
3. Board Directors shall avoid conflicts of interests which may occur between them, or their most direct relatives, and the Company, notifying the Board of Directors in any event of their existence if they are unavoidable.

#### **Article 33. Use of corporate assets**

1. Board Directors may not use the Company assets nor benefit from their office in the Company to obtain a patrimonial benefit, unless adequate consideration has been paid.
2. Board Directors, subject to a prior report by the Appointment and Remuneration Committee, may exceptionally be exempt from the obligation to pay the consideration, but in that case the patrimonial benefit shall be considered indirect remuneration and must be authorised by the Board, subject to a prior report by the Appointment and Remuneration Committee.

If the benefit is received in the Board Director's capacity as a shareholder, it shall only be considered appropriate if the principle of shareholder equal treatment is respected.

#### **Article 34. Non-public information**

Board Directors may not use non-public Company information for private purposes without the agreement of the Board of Directors, subject to a prior report by the Appointment and Remuneration Committee.

#### **Article 35. Business opportunities**

1. Board Directors may not, directly or indirectly, for their own benefit or for the benefit of a third party, take advantage of a business opportunity within the ordinary sphere of business activity of the Company, unless they offer it beforehand to the Company, the Company decides not to take advantage of it and authorisation to take advantage of it is granted by the Board, subject to a prior report by the Appointment and Remuneration Committee.
2. For the purposes of the previous section, a business opportunity shall be understood to be an investment or business operation arising or discovered in connection with the performance



by the Board Director of his/her duties, or by means of using Company resources and information, or under circumstances in which it is reasonable to consider that the offering made by the third party was in actual fact made to the Company.

#### **Article 36. Indirect transactions**

Board Directors breach their duties of loyalty to the Company if, being aware of the fact beforehand, they permit or fail to disclose the existence of transactions performed by their relatives or by companies in which they hold an executive office or have a significant stakeholding, which have not been submitted to the conditions and controls foreseen in the previous articles.

#### **Article 37. Information duties of Board Directors**

1. Board Directors shall inform the Company of the company shares, share options or derivatives referred to the share value, that they hold, either directly or indirectly through companies in which they have a significant stakeholding, as well as any modifications that take place in that shareholding or connected rights, irrespective of complying with the stock market regulations.
2. Board Directors shall also inform the Company of all the offices they hold and of the activities that they perform in other companies or entities and, in general, of any other fact or situation that may be relevant to their actions or independence of criteria as a director of the Company.
3. Board Directors shall also inform the Company of any judicial, administrative, or any other kind of claims, in which they are or may be involved, which are important enough to have a serious effect on its reputation.

#### **Article 38. Transactions with significant shareholders**

1. The Board of Directors formally reserves the knowledge of any relevant transaction of the Company with any significant shareholder.
2. Such transactions shall be valued by the Board from the point of view of the equal treatment of shareholders and of the market conditions.

#### **Article 39. Transparency principle**

The Board of Directors shall include a summary of the transactions conducted between the Company and its Board Directors and significant shareholders in its annual public information. The aim of the information shall be the comprehensive volume of the transactions and the nature of the most relevant of them.



## CHAPTER X RELATIONS OF THE BOARD OF DIRECTORS

### Article 40. Relations with shareholders

1. The Board of Directors shall create the proper channels in order to be apprised of proposals that may be made by the shareholders in connection with the management of the Company.
2. The Board may, with the collaboration of the members of the senior executive that it deems appropriate, organise informative meetings regarding the Company's and the Group's progress for shareholders residing at the most relevant financial markets, in Spain and other countries.
3. The Board of Directors shall promote the informed participation of the shareholders in the General Meetings and shall adopt whatever measures are deemed necessary to allow the General Meeting of Shareholders to effectively perform its functions in accordance with the law and the Articles of Association.

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

- a) To make efforts to place at the disposal of the shareholders, prior to the Meeting, all information that may be legally required and all information which, even if not legally required, may be relevant and reasonably provided.
- b) To diligently attend to all requests for information made by shareholders prior to the Meeting.
- c) To diligently answer all queries made by shareholders when the Meeting is held.
- d) To provide, as far as possible, shareholders who do not have Spanish nationality, with a translation in English of the documents and reports referred to in paragraph a) of this article.
- e) To provide systems for simultaneous translation into English for representatives of shareholders whose mother tongue is not Spanish and who require it, for the purpose of providing them with first-hand knowledge of the progress of the Meeting.

### Article 41. Relations with shareholders who use the Company's services

1. The Board of Directors shall also establish adequate methods for the regular exchange of information with the users of the Company's services who also form part of its shareholders, in order to improve the provision of such services.
2. In no event may the relations between the Board of Directors and such shareholders lead to the latter being provided with any information which could place them in a privileged or advantageous situation in comparison with the other shareholders or users of the Company.



#### **Article 42. Relations with the markets**

1. The Board of Directors shall take steps to ensure the appropriate transparency relating to information on significant issues.
2. The Board of Directors shall take the necessary measures to ensure that finance information is prepared in accordance with the same principles, criteria and professional practices with which the annual accounts are prepared, and that such information has the same reliability as the annual accounts. For this last purpose, the information shall be reviewed by the Auditing Committee.

#### **Article 43. Relations with the Auditors**

1. The Board of Directors' relations with the external Auditors of the Company shall be channeled through the Chairperson of the Board of Directors and through the Auditing Committee.
2. The Board of Directors shall refrain from contracting audit firms if it is foreseen that the fees to be paid to such firms, for all items, exceed ten per cent of the total income of the Company during the last fiscal year.
3. The Board of Directors shall provide information annually and publicly of the comprehensive fees that the Company has paid to the audit firm for services other than auditing services.
4. The Board of Directors shall endeavour to prepare the definitive accounts in such a manner that the Auditor does not have any reservations. Nevertheless, when the Board of Directors considers that its criteria must be maintained, it shall publicly explain the contents and scope of the discrepancy.