

**RULES AND REGULATIONS OF THE BOARD OF DIRECTORS OF
HOLALUZ-CLIDOM, S.A.**

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RULES AND REGULATIONS OF THE BOARD OF DIRECTORS OF HOLALUZ-CLIDOM, S.A.

TITLE I. INTRODUCTION

Article 1. Purpose of the Regulations and effectiveness

1. The purpose of these rules and regulations (the “**Regulations**”) is to establish the rules of operation and internal organisation of the board of directors of Holaluz-Clidom, S.A. (the “**Company**”), the basic rules governing its organisation and operation and the rules of conduct for its members.
2. The rules of conduct for member of the board of directors established herein shall apply to management insofar as they are compatible with the specific nature of their functions. For the purposes of these Regulations, “management” are the managers who report directly to the board of directors or to the chief executive, if the Company has on, and, in any case, the person responsible for the internal audits at the Company.
3. The Regulations apply indefinitely and, therefore, it shall apply to every board of directors’ meeting called after they have come into force. These Regulations will enter into force on the date on which the Company’s shares are admitted to trading on the alternative stock market.

Article 2. Interpretation

1. These Regulations develop and complete the regulatory rules that govern the board of directors and that are set out in prevailing legislation and the Company’s articles of association. They will be interpreted in accordance with the applicable laws and articles of association and with the principles and recommendations on corporate governance of listed companies in the alternative stock market approved or issued by the Spanish authorities or by specialist committees or working groups created by or under those authorities, following essentially their spirit, purposes and the Company’s interest.
2. Any doubts arising from or in connection with the performance or interpretation of these Regulations will be resolved by the board of directors pursuant to the general criteria used for the interpretation of legal rules and the Company’s articles of association.

Article 3. Approval and amendment

1. These Regulations have been approved by the board of directors, following a report by the general shareholders’ meeting at the proposal of the chairperson of the board of directors, within its power of self-organization established in article 245.2 of the Spanish Companies Law (*texto refundido de la Ley de Sociedades de Capital, aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio*) (the “**Companies Law**”).
2. These Regulations may only be amended at the behest of the chairperson of the board of directors, one-third of the directors or the Audit and Control Committee; who in any event must submit a reasoned report together with their proposal and a report by the Audit and Control Committee, unless the Audit and Control Committee makes the proposal.
3. The proposal and reasoned report must be provided to the directors before the board of directors meeting at which the proposal is to be deliberated on. The meeting must be called a minimum of 48 hours in advance.
4. Amendments of these Regulations require the approval of an absolute majority of the board members of the board of directors present or represented at the meeting in order to be valid.

5. These Regulations may be updated from time to time in accordance with the applicable legislation.

TITLE II. FUNCTION OF THE BOARD

Article 4. Competences of the board of directors

1. The board of directors has the power to pass resolutions regarding all matters not assigned by law or the articles of association to the general shareholders' meeting.
2. The board of directors, which has the broadest powers and faculties to manage, direct, administer and represent the Company, as a general rule, will delegate the day-to-day management of the Company to the executive bodies and the management team, establishing its content, limits and types of delegation; and it will perform its general supervisory function and decide on matters of particular relevance for the Company.
3. In addition to the powers which, in accordance with the applicable law, cannot be delegated, those powers reserved by law or by the articles of association to the board of directors or those powers that may be necessary for the responsible exercise of its general supervisory function cannot be delegated.
4. The board of directors will have the power to resolve on the issue and admission to trading of bonds which issue is not reserved by law to the general shareholders' meeting, as well as to resolve on the granting of security for bond issues. The general shareholders' meeting will have the power to agree the issue of convertible bonds or the issue of bonds that give the bondholders a share in the corporate earnings.
5. With regard to the subsidiaries that are part of the Company's group and within the limits established by law, the board of directors may set the basis for an efficient and appropriate coordination between the Company and these companies. In any case, the board of directors will respect the autonomy of the administrative and management bodies of the companies that are members of the group, taking into account the interests of both the Company and that of the subsidiaries belonging to the group.

Article 5. Corporate interest

1. The board of directors will act with unity of purpose and independence, treating all shareholders with the same conditions the same way and pursuant to the Company's interest, which ultimately entails running a profitable and sustainable business in the long term, in such a way that the Company's continuity is safeguarded and its economic value maximised.
2. Furthermore, the board of directors, without prejudice to protecting the business judgement rule, must ensure that the corporate interest brought together with the legitimate interests of stakeholders that may be affected, in accordance with the applicable regulations. It will do this in good faith, will respect the standards and good practices of the sectors and territories in which it exercises its activity and will comply with other corporate social responsibility actions undertaken.

TITLE III. COMPOSITION OF THE BOARD OF DIRECTORS

Article 6. Quantitative composition

1. The board of directors shall be formed by a minimum of 5 and a maximum of 12 directors, who shall be appointed by the general shareholders' meeting.
2. The board of directors will propose to the general shareholders' meeting the number of directors that, in accordance with the Company's circumstances and within the limits set out in the

Company's articles of association, is most appropriate to ensure that the board is duly represented and functions correctly.

Article 7. Qualitative composition

1. The board of directors, when exercising its powers to propose appointments to the general shareholders' meeting and the co-opted appointment of directors to cover vacancies, must endeavour to ensure that proprietary directors and external directors represent a broad majority of the board of directors and that the number of executive directors should be the minimum necessary, taking into account the complexity of the group and the executive directors' share capital in the Company. The board of directors will ensure that the ratio of external directors over the total of proprietary directors does not exceed the proportion between the share capital of the Company represented by such directors and the rest of the capital.
2. The definitions of the different categories of directors are established in the applicable regulations or, failing that, in the recommendations of good corporate governance recommendations that the Company applies.
3. The board of directors will explain the condition of each director to the general shareholders' meeting that is in charge of appointing or ratifying appointment of the director. The appointment will be confirmed or, where appropriate, reviewed annually in the annual corporate governance report, subject to the Appointments and Remunerations Committee's prior verification. Should there be an external director who cannot be considered a proprietary or independent director, the Company will state this circumstance and identify his ties to the Company, its directors or its shareholders.

TITLE IV.- STRUCTURE OF THE BOARD OF DIRECTORS

Article 8. Chairperson

1. The chairperson of the board of directors shall be elected from amongst its members, subject to a report by the of the Appointments and Remunerations Committee
2. The chairperson has regular powers to call and chair the board of directors, set the agenda, chair the general shareholders' meeting, ensure that the directors receive sufficient information in advance to deliberate about the items on the agenda, direct and motivate debate and active participation. The chairperson, however, may call a board of directors' meeting when so requested by a minimum of one director and it must be held within one month of the request. If the meeting has not been called within one month of the request, it must be called by the vice chairperson, should one have been appointed.
3. The chairperson, as the person responsible for the proper running of the board of directors, in addition to exercising the functions that are assigned to him or her by law or statute, will (i) prepare and submit to the board of directors a schedule of meetings and matters for discussion; (ii) organize and coordinate the periodic evaluation of the board; (iii) be responsible for directing the board and its efficient operation; (iv) ensure that strategic issues are sufficiently deliberated; and (v) approve and review knowledge update programmes for each director, where appropriate.
4. In the event that the chairperson of the board of directors exercises executive functions, the board of directors, with the abstention of the executive directors, must necessarily appoint a coordinating director among the independent directors who will be empowered to:
 - (i) request the chairperson to call a board of directors' meeting;
 - (ii) request the inclusion of items on the agenda of the board of directors' meeting;

- (iii) manage, hear and reflect the concerns of the external directors;
- (iv) direct the periodic evaluation of the chairperson of the board of directors and coordinate his or her succession plan;
- (v) chair the board of directors in the absence of the chairperson or the vice-chairperson, should one have been appointed;
- (vi) liaise with investors and shareholders to find out their points of view and form an opinion on their concerns, in particular those related to how the Company is being run.

Article 9. Vice-chairperson

The board of directors, subject to a report by the Appointments and Remunerations Committee, may appoint one or more vice-chairpersons. If more than one vice-chairman is appointed, they will each be assigned a number. If the chairperson is unable to attend a meeting, the vice-chairperson will replace him or her. If more than one vice-chairperson has been appointed, they will replace the chairperson in chronological order according to the number they were each assigned upon their appointment.

Article 10. Secretary and the legal advisor

1. The board of directors will appoint, at the chairperson's proposal and subject to a report by the Appointments and Remunerations Committee, a secretary, who may be a member of the board of directors or not, but must have the ability to perform the duties inherent to that position. If the secretary to the board of directors is not a director, he or she will have the right to speak but not vote. In any case, to safeguard the independence, impartiality and professionalism of the secretary, his or her appointment and dismissal must be approved by the board of directors, subject to a report by the Appointments and Remunerations Committee
2. The secretary will assist the chairperson in his or her duties and must see to the proper functioning of the board, taking special care to provide the necessary advice and information to the directors, assisting the chairperson in ensuring that directors receive the relevant information sufficiently in advance for them to be able to exercise of their functions and in the appropriate format, to store the Company's documents, take minutes at the meetings and bear witness to the resolutions of the board. Likewise, he or she must record in the minutes of the board of directors' meetings any concerns that were not resolved by the board of directors and voiced by the directors about how the Company is being run, as well as concerns voiced by him or her or the directors about any proposal, at the request of the director who raised it.
3. The secretary will especially ensure that the actions and decisions of the board of directors (i) are in line with the applicable laws and regulations; (ii) are in line with the Company's articles of association and the rules and regulations of the general shareholders' meeting, the board of directors and the Company's Securities Market Code of Conduct; and (iii) take into consideration of the good governance recommendations applied by the Company.
4. The board of directors may have a legal advisor whose functions are established by law. The secretary or, as the case may be, the vice-secretary, may also act as legal advisor to the board of directors if he or she is a lawyer and meets all other legal requirements.

Article 11. Vice-secretary

1. The board of directors may appoint a vice-secretary, who need not be a director, to assist the secretary to the board of directors or to substitute the secretary in his or her absence in the performance of his or her board functions, as well as any other internal functions or positions he or she holds in relation to the board of directors, including internal committees created by the

board of directors. In any event, to safeguard the independence, impartiality and professionalism of the vice-secretary, his or her appointment and dismissal needs to be approved by the board of directors, subject to a report by the Appointments and Remunerations Committee.

2. Unless the board of directors decides otherwise, the vice-secretary may attend the meetings of the board to assist the secretary in drafting the minutes of the session and in any other advisory functions provided in these Regulations.

Article 12. Advisory bodies and committees

1. Without prejudice to the powers that it may confer to any person, the board of directors may create a permanent executive committee from among its members, in which case it will determine who will form the committee. In addition, it may appoint a chief executive officer, to whom it delegate, totally or partially, temporarily or permanently, all the powers that cannot be delegated by law, the Company's articles of association or these Regulations. The permanent delegation of any powers granted to the board to the executive committee or the chief executive officer and the appointment of the members of the board of directors who are to hold those positions will require a favourable vote of two thirds of the members of the board of directors and it will not be effective until it is registered with the Commercial Registry.
2. The board of directors must ensure that, to the extent possible, the representation of the different types of directors in the executive committee is similar to that of the board of directors. The chairperson and secretary to the board of directors will be chairperson and secretary to the executive committee.
3. The chairperson of the executive committee must inform the board of directors of the matters discussed and of the resolutions passed at the meetings, at which minutes must be taken, and a copy of which must be provided to every member of the board of directors.
4. Likewise, an Audit and Control Committee and an Appointments and Remunerations Committee will be created with supervisory, reporting, advisory and proposal-making powers with regard to the matters that come under its area of authority according to these Regulations.
5. Likewise, the board may create other committees with advisory functions, even though exceptionally, they may be conferred decision-making powers. The chairperson, the secretary and all other members of the committees are appointed by the board of directors by simple majority.
6. The committees that the board of directors may create are subject to these Regulation and, where appropriate, to their own internal regulations.

Article 13. Audit and Control Committee. Composition, powers and functioning.

1. The board of directors must create a permanent Audit and Control Committee to carry out reporting and consultative tasks. This committee does not perform executive tasks and has supervisory, reporting, advisory and proposal-making powers as established in this provision. The Audit and Control Committee is composed of between three and five directors, to be appointed by the board of directors. All members of the Audit and Control Committee are external or non-executive directors, and most of them are independent, and will be appointed taking into account their knowledge and experience in the areas of accounting, auditing or risk management.
2. The board of directors appoints the chairperson from amongst the members of the Audit and Control Committee, who must be an independent director and who will hold office for a maximum of four years or for as long as he or she is a member of the Audit and Control Committee. The

chairperson is eligible for re-election after one year following the end of his or her preceding term. The board will also appoint the secretary of the Audit and Control Committee. Only members of the committee can be appointed chairperson or vice-chairperson, while the secretary or vice-secretary need not be a member of the committee, in which case he or she will have the right to speak but not vote.

3. The positions of secretary and vice-secretary to the Audit and Control Committee are to be carried out by the persons appointed by the board of directors. They need not be members of the board of directors. The secretary and vice-secretary to the Audit and Control Committee may also be the secretary and vice-secretary to the board of directors.
4. Without prejudice to any other tasks that the board of directors may assign at any time, the Audit and Control Committee will essentially perform the following tasks:
 - (i) to report to the general shareholders' meeting on matters raised by shareholders that relate to matters that come under its area of authority and, in particular, on the outcome of the audit and explaining how it has contributed to the accuracy of the financial reporting and the committee's role in this process.
 - (ii) to oversee the effectiveness of the internal control of the Company and its group, the internal audit and risk management systems, and discuss with the auditor the flaws in the internal control system detected during the audit, all of which will be done in such a way that the auditor's independence is not compromised. To this end, if significant flaws are detected, they must submit recommendations or proposals to the board of directors and the period for its monitoring;
 - (iii) to oversee the preparation and submission of mandatory financial information and present recommendations or proposals to the board of directors, aimed at safeguarding its completeness;
 - (iv) to propose to the board of directors, for its submission to the general shareholders' meeting, the selection, appointment, re-election or replacement of auditors, in accordance with applicable regulations, as well as the conditions for their hiring and collect regular information on the audit plan and its execution, and protect its independence in the exercise of its functions;
 - (v) liaise with the auditors to obtain information on matters that may jeopardize their independence, which the Audit and Control Committee will then assess, and any others related to the financial audit process and, where appropriate, authorise services other than those that are prohibited, as established in the applicable regulations, as well as any other communications established in financial audit legislation and other auditing standards. In any event, the Audit and Control Committee will receive annually from the auditors a declaration of its independence from the Company and entities related to it, directly or indirectly, as well as detailed breakdown of the other services provided and the fees paid to the external auditor by these entities or by the persons or entities related to it, in accordance with financial audit legislation;
 - (vi) annually issue, prior to the account audit report, a report on whether the independence of the auditors or audit firms has been compromised. This report must, in any event, comment on the provision of the services referred to in the preceding paragraph, both individually and as a whole, other than the legal audit and in relation to the regulations on independence or the financial audit legislation;

- (vii) report to the board of directors on all matters provided by law, in the articles of association and in these Regulations and, in particular, on: (i) the financial information that the Company must make public periodically; (ii) the creation or acquisition of shares in special purpose vehicles or companies domiciled in tax haven countries or territories and (iii) transactions with related parties;
 - (viii) in relation to internal information and control systems and internal auditing: (a) supervise the process of preparing and the completeness of the financial information related to the Company and, where appropriate, to the group, checking that it complies with the regulations in force, the scope of consolidation has been adequately determined and the accounting criteria has been applied correctly; (b) ensure the independence of the internal audit, propose the selection, appointment, re-appointment and dismissal of the head of internal audit, propose a budget for such position, approve its work plans, receive periodic information on its activities and verify that management staff are take into account the conclusions and recommendations in the committee's reports; and (c) create and monitor a mechanism that enables employees to communicate, confidentially or anonymously, significant flaws, especially of a financial and accounting nature, that they may have detected;
 - (ix) in relation to the external auditor: (a) in the event of his or her resignation, examine the circumstances that caused it; (b) ensure that his or her remuneration does not compromise his or her quality or independence; (c) supervise that the Company communicates the change of auditor as a relevant fact and includes, if applicable, a statement on the existence of discrepancies with the departing auditor and an explanation of such discrepancies; (d) ensure that the external auditor holds an annual meeting with the board of directors to inform the latter on the work it has carried out and the evolution of the Company's financial situation; (e) ensure that the Company and the external auditor respect the current regulations on the provision of services other than those of auditing, the limits on the auditor's business concentration and, in general, other standards on the independence of auditors;
 - (x) monitor compliance with the Company's codes of conduct, corporate governance and regulatory compliance rules, and update them; and
 - (xi) ensure compliance with the corporate social responsibility actions undertaken and assess stakeholder relationship management processes.
5. Likewise, the Committee must exercise all functions specifically assigned to it in the internal regulations of the Audit and Control Committee that, if applicable, the board of directors approves.
 6. The Audit and Control Committee must meet, at least, quarterly, in order to review the periodic financial information to be submitted to the stock market authorities, as well as the information that the board of directors must approve and include in its annual public documentation. Likewise, it will meet at the request of any of its members, of the director of internal auditing or of the shareholder responsible for the auditor, and whenever it is called by the chairperson, which must be done whenever the board of directors or its chairperson request the issuance of a report or the adoption of proposals and, in any event, whenever convenient for the proper performance of its duties.
 7. The Audit and Control Committee will be quorate when the majority of its members are present, or represented and its resolutions will be passed by an absolute majority of members in attendance. In the event of a tie, the chairperson has a casting vote.

8. The Audit and Control Committee must keep minutes of its meetings, a copy of which must be sent to every member of the board of directors and to the secretary to the board.
9. The Audit and Control Committee will prepare an annual report on its functioning, highlighting the main incidents that have raised, if any, in relation to its functions. In addition, as appropriate, it will include in the report any proposals to improve the Company's corporate governance rules.
10. The Audit and Control Committee, for the best performance of its functions, may call any employee or director of the Company to appear before the committee, as well as seek advice from external experts as necessary for the proper fulfilment of its functions.

Article 14. Appointments and Remunerations Committee. Composition, powers and operation.

1. The board of directors must create a permanent Appointments and Remunerations Committee that is an internal informative and consultative body, exercises no executive functions, has general powers to propose and report on matters regarding appointments and dismissals as well as remuneration in accordance with the law. For these purposes, the Appointments and Remunerations Committee will seek as many third-party reports as are necessary or convenient to be able to undertake the powers entrusted to it.
2. The Appointments and Remunerations Committee is formed by between three and five non-executive directors who are designated by the board of directors, at the proposal of the chairperson of the board. The majority of the members of the Appointments and Remunerations Committee are independent and at least one of them must have the necessary knowledge, skills and experience to perform the committee's functions.
3. The Appointments and Remunerations Committee will appoint its chairperson from amongst its members.
4. The positions of secretary and vice-secretary to the Appointments and Remunerations Committee are appointed by the board of directors. The positions of secretary and vice-secretary to the Appointments and Remunerations Committee may also be the secretary and vice-secretary to the board or any member of the committee. The mandate of the members of the Appointments and Remunerations Committee may not exceed that of their mandate as directors, without prejudice to them being re-elected indefinitely, insofar as they are also directors.
5. Without prejudice to any other tasks that may be assigned at any time by the board of directors, the Appointments and Remunerations Committee exercises the following functions:
 - (i) assess the required skills, knowledge and experience on the board of directors. For these purposes, the committee will define the necessary functions and skills of the candidates that must fill each vacancy and assess the time and dedication required from them to effectively perform their duties;
 - (ii) modify the composition or representation of the board of directors, as well as establish permanent delegations of powers to chief executive officers or executive committees;
 - (iii) modify the composition of the management team and the appointment or removal of any other senior executive of the Company;
 - (iv) set a quota for the least represented gender on the board of directors and provide guidance on how to achieve the objective;
 - (v) submit appointment proposals of independent directors to the board of directors for appointment by co-option or for submission to the general shareholders' meeting, as well

as proposals for the re-election or withdrawal of the directors by the general shareholders' meeting;

- (vi) report on the appointment proposals of the other directors for their appointment by co-option or for submission to the general shareholders' meeting, as well as proposals for the re-election or withdrawal of the directors by the general shareholders' meeting;
 - (vii) report on appointment and withdrawal proposals of managers and the basic conditions of their contracts;
 - (viii) consider and arrange the succession of the chairperson of the board of directors and the Company's chief executive and, where appropriate, make proposals to the board of directors so that the succession occurs in an orderly and structured manner;
 - (ix) ensure that the Company's remuneration policy is being complied with
 - (x) approve or modify any incentive plan;
 - (xi) periodically review and make proposals to the board of directors on the remuneration policy applied to directors, as well as the fixed and variable remuneration or any other compensation to be received by managers and by any other senior executive, including remuneration systems with shares and their application, their main contractual conditions, if any, and ensure that their individual remuneration is proportionate to that paid to other directors and senior executives;
 - (xii) ensure that the independence of the external advice provided to the committee is not affected by any conflict of interest;
 - (xiii) authorise the Company's directors to engage, either personally or through a third party, in analogous or complementary activities to those that constitute the Company's corporate purpose;
 - (xiv) submit to the board a proposal on the Company's corporate governance and internal governance policy, and,
 - (xv) ensure the accuracy of the information on directors' and managers' remuneration in the relevant corporate documents, including the annual remuneration report.
6. Likewise, the Appointments and Remunerations Committee will carry out all the functions in the internal regulations of the Appointments and Remunerations Committee that, if applicable, the board of directors may approve.
7. The Appointments and Remunerations Committee holds ordinary meetings a minimum of twice a year. It may meet at the request of any of its members and whenever called by its chairperson, who must do so whenever the board of directors or its chairperson requests the issuance of a report or the adoption of proposals and, in any case, as convenient to correctly perform its functions.
8. The Appointments and Remunerations Committee is quorate when the majority of its members are present, or represented and its resolutions are passed by an absolute majority of the members in attendance. In event of a tie, the chairperson has a casting vote.
9. The Appointments and Remunerations Committee must keep minutes of its meetings, a copy of which must be sent to every member of the board of directors and to the secretary to the board.

10. The Appointments and Remunerations Committee must consult the chairperson and the chief executive of the Company, especially with regard to matters related to executive directors and managers.
11. The Appointments and Remunerations Committee, for the best performance of its functions, may seek advice from external experts as necessary to perform its functions, and will make sure that the independence of the external advice provided to the committee is not affected by any conflict of interest.

TITLE V. FUNCTIONING OF THE BOARD OF DIRECTORS

Article 15. Board of directors meetings

1. The board of directors will meet, at least, quarterly. Likewise, the board of directors will meet whenever (i) a director requests so by sending the chairperson written communication to this effect or (ii) chairperson or the person who replaces him or her decides. If the meeting is called at the request of a director, it must be held within a maximum of five business days from receipt of the request. If after a director requests that a board meeting be called, it is not called, the director may call the meeting him or herself directly. The call will be made by post, email or any other written means that provides proof of delivery. It will be send to each director and will indicate the date, time and place of the meeting.
2. Board meetings are called by the secretary to the board or whoever replaces him or her, with the authorisation of the chairperson, by any means (including by electronic means) that allows receipt of the call by each of the members of the board to be recorded in the Company's files. The call will be made a minimum of 48 hours in advance of the day of the meeting. Notice of the meeting will always include the agenda of the meeting and any appropriate information.
3. The agenda will set out the matters to be discussed and decide on so that the directors can prepare in advance by obtaining and reading any relevant information. When, exceptionally, for reasons of urgency, the chairperson wishes to submit for the approval of the board of directors resolutions that have not been included on the agenda, it will require the prior and express consent of the majority of the directors present at the meeting and this will be recorded in the minutes of the meeting.
4. The chairperson of the board of directors may call extraordinary board meetings when, in his or her opinion, the circumstances so require, in which the notice and other requirements mentioned above will not apply. Notwithstanding this, documentation must be provided to the directors in advance, unless the meeting has been constituted or called exceptionally for reasons of urgency.
5. At the start of each financial year, the board of directors will schedule its ordinary meetings.
6. Board meetings are held mat the Company's registered office, unless the notice of the meeting states otherwise.
7. Board meetings require the physical presence of its members. However, if necessary, directors may attend the meetings of the board of directors by telephone, videoconference or any other means of communication that enables those attending to be able to interact with each other during the meeting. Directors who attend a meeting by these means is considered to have attended in person.
8. Attendees will deemed to have attended a single meeting, irrespective of their location. The meeting will be deemed to have been held where the highest number of directors are located and, in case of a tie, where the chairperson or whomever replaces him or her in his absence is located.

Article 16. Procedure

1. The board of directors is quorate when a minimum of five directors attend, is present or represented, without prejudice to the provisions below regarding resolutions that require a qualified majority to be passed. Likewise, the board of directors will be validly convened, and do not need to be called in advance, when all the directors present or represented at the meeting unanimously decide to hold the meeting.
2. Directors must endeavour to attend board meetings, but they may delegate their right to speak and vote at each board meeting to another director by sending the chairperson or whoever replaces him or her a signed letter to this effect. With regard to legal persons, the individual that represents it may delegate its right to speak and vote to a third party of its organisation, whether he or she is a shareholder, a director, an employee or a service provider. Directors' absences from board meetings are recorded in the annual corporate governance report, when the Company is obligated to prepare it.
3. The chairperson will stimulate debate and encourage all the directors to participate in the meetings and safeguard their freedom to take a position and express their opinions.
4. Unless the law or articles of association specifically establish other majorities, resolutions require the absolute majority of the votes of members present at the meeting to be passed. In particular, the appointment and removal of the chief executive officer, as well as the prior approval of the contracts to be executed between the Company and the directors who have executive functions, will require the favourable vote of at least two-thirds of the members of the board, from which voting, if applicable, the affected director must abstain. In case of a tie, the chairperson has a casting vote.
5. Minutes of the board of directors will be drawn up and then signed, at least, by the chairperson (or vice-chairperson, as the case may be) and the secretary or vice-secretary (as the case may be), and will be transcribed or collected, in accordance with the law in force, in a special book of minutes of the board of directors.
6. The minutes of the board will be approved by the board of directors at the end of the meeting or at start of the next board meeting.

TITLE VI. APPOINTMENT AND REPLACEMENT OF DIRECTORS

Article 17. Appointment and re-election

1. Directors are appointed by the general shareholders' meeting or by the board of directors by co-option, subject to a report by the Appointments and Remunerations Committee or, in relation to independent directors, at the proposal of the that committee, in accordance with the applicable regulations, the articles of association and these Regulations.
2. The new directors must promptly acquire sufficient knowledge of the Company, and its corporate governance rules.
3. The board of directors must ensure that that candidates for the position of director are persons with recognised solvency, ability and experience, and must be especially rigorous when it comes to persons called to fill the positions of independent director.
4. The board of directors, before proposing directors for re-election to the general shareholders' meeting, will assess, from which the directors up for re-election must abstain, the quality of their work and dedication to the position during their term in office.

Article 18. Term in office

1. The members of the board of directors will hold office for six years, at the end of which they may be re-elected one or more times for periods of equal maximum duration.
2. The members of the board of directors will cease to hold office following a decision of the general meeting in this regard once their term in office expires or on the date on which a meeting should have been held to resolve on the approval of the previous year's annual accounts.
3. Members appointed by co-optation will hold office until the first meeting of the general shareholders' meeting held after their appointment, and will cease to hold office if that general shareholders' meeting does not ratify their appointment.
4. If the vacancy arises once the general shareholders' meeting has been called but before it takes place, the board may appoint a director until the next general shareholders' meeting is held, in accordance with the Companies Law.

Article 19. Removal

1. Directors may be removed from office when the period for which they were appointed elapses or when so decided by the general shareholders' meeting in exercising its duties as conferred by law or the Company's articles of association.
2. Directors must tender their resignation to the board of directors and accept its decision regarding their continuity in office or not, in the following cases:
 - (i) when they cease to be in the executive positions to which their appointment as director is linked;
 - (ii) when they are subject to any of the cases of incompatibility or prohibition provided by law or in the Company's articles of association;
 - (iii) when they are seriously reprimanded by the board of directors for having breached their obligations as directors;
 - (iv) when their membership in the board may jeopardise or damage the interests, credibility or reputation of the Company or when the reasons for their appointment cease to exist including, without limitation, when their professional situation changes significantly changes or when the conditions under which he or she was appointed change;
 - (v) when they are indicted for an allegedly criminal act or are subject to disciplinary proceedings for serious or very serious breach investigated by the supervisory authorities;
 - (vi) with regard to proprietary directors (i) when the shareholder they represent sells all its shares or reduces its shareholding significantly, and (ii) as applicable, when the shareholder reduces its shareholding to a level that requires a reduction in the number of proprietary directors;
 - (vii) when they are members of more than four boards of directors of other companies that are listed or admitted to trading in multilateral trading systems and are not part of the Company's group; or
 - (viii) when, for reasons attributable to the director, him or her remaining on the board could seriously impair the Company's net worth or reputation in the opinion of the board.

3. Directors affected by proposals for appointment, re-election or termination will abstain from the deliberations and voting.

TITLE VII. INFORMATION TO DIRECTORS

Article 20. Powers of information and inspection

1. Directors have the duty to be diligently up-to-date on the Company's affairs. For this purpose, directors may request information on matters that come under board of directors' area of authority and, in this regard, examine the books, records, documents and other documentation. The right to information extends to subsidiaries in any case, and to investee companies, where possible.
2. Requests for information should be sent to secretary to the board of directors, who will resend the request to chairperson and the right person in the Company.
3. The secretary must warn the director about the confidentiality of the information requested and received and about his or her duty of confidentiality in accordance with these Regulations.
4. The chairperson may refuse to provide the information if he or she is of the opinion that (i) it is not necessary for the director to be able to perform his or her duties or (ii) providing it entails an excessive or unreasonable cost based on the significance of the problem and the Company's assets and income.

Article 21. Assistance from experts and knowledge update programs

1. In order to receive assistance in performing their duties, directors may receive advice from the Company for this purpose. To this end, the Company will determine the appropriate channels that, under special circumstances, may include external advice to be paid for by the Company.
The assistance must entail specific important and complex matters that arise in the performance of their duties.
2. The decision to engage external advisors to be paid by the Company must be communicated to the chairperson of the board of directors and may be rejected by the board of directors can shoe:
 - (i) the external assistance is not necessary for the proper performance of the duties entrusted to the non-executive directors;
 - (ii) its cost is not reasonable given the significance of the matter and the Company's assets and income; or
 - (iii) the assistance may be obtained internally, through the Company's own experts and technical staff.
3. The Company will also offer directors knowledge update programmes where necessary, regardless of the knowledge required of directors to exercise their functions.

TITLE VIII. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Article 22. Director remuneration

Directors are paid remunerated as established in each case in the Company's articles of association.

TITLE IX. DIRECTORS' DUTIES

Article 23. General duties of directors

1. In performing their duties, directors will act with the diligence of a respected businessperson and the loyalty of a faithful representative. Their actions will be guided by the good faith and the interests of the Company, and they should strive to best protect the interests of the shareholders

from whom their mandate derives and to whom they are accountable. In particular, directors are obliged to:

- (i) Be up-to-date on the Company's affairs and prepare for meetings of the board of directors and, where appropriate, of the delegated bodies of they are members;
- (ii) Attend board meetings and participate in the deliberations so that their criteria is taken into account in the decision-making process.

If, for justified reasons, directors cannot attend a meeting to which they have been called summoned, they must designate another member to represent them.

- (iii) Provide (especially independent directors) their strategic vision, as well as other innovative concepts, criteria and measures for the Company's business to develop and grow in the best possible way.
- (iv) Perform their duties under the principle of personal responsibility with freedom of judgment and independence with respect to instructions from and ties to third parties.
- (v) Perform any specific task entrusted to them by the board of directors or any of its delegated or advisory bodies and that reasonably fall within their commitment and dedication.
- (vi) Require the investigation of any irregularity in the Company's management of which they have become aware and immediately pass on the information to the board of directors and monitor any situation that entails a risk.
- (vii) Urge the persons with the capacity to call an extraordinary meeting of the board of directors to call it or to include in the agenda the points that he deem appropriate.
- (viii) Oppose resolutions that are contrary to the law, the articles of association or the Company's interests and ask that their position be recorded in the minutes as appropriate to protect the Company's interests. Independent directors and other directors who are not conflicted must, in particular, clearly express their opposition to resolutions that may be detrimental to shareholders not represented at the board of directors.

In the event that the board of directors passes significant or repeated agreements on which a director would has serious doubts, he or she will draw the appropriate conclusions and may choose to resign, in which case he or she may set out the reasons for his or her resignation in his or her resignation letter.

This provision applies to the secretary and, where appropriate, to the vice-secretary to the board of directors, even if he or she is not a director.

2. In any event, directors must dedicate to their duties the required time and effort to perform them effectively and, consequently, directors must inform the Appointments and Remunerations Committee of their other professional obligations, should they interfere in any way with the level of dedication required.

Article 24. Confidentiality

1. Directors will keep secret all matters discussed at the meetings of the board of directors and the delegated bodies and, in general, will not disclose information to which they have been privy in performing their duties.
2. The duty of confidentiality applies even after a director has left his position, and he must keep secret all confidential information and all information, data, reports or records of which he

becomes aware as a result of performing his or her duties. He or she may not communicate the information to third parties or disclose it when doing so may be detrimental to the Company's interests. These duties of confidentiality do not apply when information can be legally communicated or disclosed to third parties, such as when the information is requested by the relevant supervisory authorities, in which case the director must provide or disclose the information as established by law.

Article 25. Duty not to compete

1. Directors must refrain from performing, for their own benefit or on behalf or for the benefit of third parties, activities that actually or potentially compete with those of the Company or which in any other way place the director in a conflict of interest situation with the Company.
2. The duty not to compete with the Company may only be waived if it will not cause the Company any damage or, if such damage is possible, it is compensated for the benefits that are expected to be obtained as a result of the waiver. The waiver will be granted by express resolution independently from the general shareholders' meeting.
3. In any case, at the request of any shareholder, the general shareholders' meeting will decide on the cessation of the director who develops competitive activities when the risk of damage to the Company has become relevant.

Article 26. Conflicts of interest

1. A conflict of interest situation arises when the interests of the Company or of the companies of its group and the director's personal interest clash directly or indirectly. Directors' personal interest includes any matter that affects them or a person related to them or, in the case of a proprietary director, the shareholder or shareholders who proposed them or appointed them or any persons directly or indirectly related to them.
2. For the purposes of these Regulation, related person are
 - (i) With regard to an individual directors:
 - a) The director's spouse (or equivalent);
 - b) Ascendants, descendants and siblings of the director and their spouses (or equivalent);
 - c) Ascendants, descendants and siblings of the director's spouse (or equivalent);
 - d) The companies or entities in which the director or any of the persons linked to him or her, whether directly or through an intermediary, is in one of the situations established in article 42 of the Spanish Commercial Code;
 - e) With regard to proprietary directors, the shareholder or shareholders whose proposal led to their appointment or persons directly or indirectly related to them.
 - (ii) With regard to legal entities:
 - a) Shareholders linked to the legal entity through any of the circumstances provided in article 42.1 of the Spanish Commercial Code;
 - b) Companies of the same group, as this term is defined in article 42 of the Spanish Commercial Code, and its partners;
 - c) The individual representative, the *de iure* or *de facto* managers, the liquidators and representatives of the legal entity director;

- d) Persons who, in relation to the director legal entity's representative, are considered to be related persons in accordance with section 2(i) of this article for individual directors.
3. Directors must report conflicts of interest, whether direct or indirect, to the board of directors and refrain from acting as a representative of the Company in transactions to which the conflict refers, unless otherwise established by law. In addition, the Company will inform, as appropriate and in accordance with the law, any conflict of interest situation affecting the directors (or persons related to them) during the financial year in question and which is known as a result of the affected party's communication, or by any other means. Directors' involvement in a conflict of interest situation must be reflected in the Company's annual accounts report.

Article 27. Use of the Company's assets

Directors may not use the Company's assets, including confidential information, or use their position in the Company to their own advantage without paying an appropriate consideration.

Article 28. Non-public information

Directors must comply with the rules of conduct established in the stock market regulations and especially those established in the Company's securities markets rules of conduct in relation to privileged information.

Article 29. Business opportunity

1. Directors may not use, for their own benefit or on account or for the benefit of related parties in in accordance with article 26 of these Regulations, a business opportunity of the Company, unless they, previously, offer it to the Company and it opts against pursuing that business opportunity.
2. For the purposes of the preceding paragraph, business opportunity is any possibility of making an investment or carrying out a transaction as a result of or in connection with a director's performance of his or her duties or a director's use of the Company's information and resources, or that has arisen under circumstances that reasonably indicate that the third party's offer was in fact intended for the Company.

Article 30. Indirect operations

Directors violate their duty of loyalty to the Company if they knowingly allow or fail to disclose the existence of transactions performed with the related persons indicated in article 27 of these Regulations that were not subject to the conditions and controls provided in the preceding articles.

Article 31. Directors' disclosure duties

1. Directors must inform the Company of the Company shares they hold directly or indirectly through the related persons indicated in article 26 of these Regulations, all in accordance with the Company's Securities Markets Code of Conduct.
1. Directors must inform the Company of any positions they hold in the management body of other companies that are listed or admitted to trading in multilateral trading systems and, in general, of the facts, circumstances or situations that may be relevant for the performance of their duties as director of the Company in accordance with these Regulations. For these purposes, Company directors may not be part of more than four management boards of other companies that are listed or admitted to trading in multilateral trading systems that do not belong to the Company's group.

2. Likewise, all directors must inform the Company when they negatively affect the credibility and reputation of the Company and, in particular, they must inform the board of directors of any criminal charges brought against them and of any subsequent procedural developments in such cases.

If a director is indicted or to be tried for any commercial law offence, the board of directors must review the matter as soon as possible and, in light of the specific circumstances, will decide whether or not it is appropriate for the director to remain in office. These circumstances will be reflected, and a reasonable explanation provided, in the annual corporate governance report where such report is mandatory for the Company.

Article 32. Transactions with significant shareholders

1. Any transaction by the Company with directors and significant shareholders that are considered so in accordance with the stock market regulations applicable from time to time or that, if applicable, have proposed the appointment of one of the directors of the Company, or with the respective related persons, understood as such those indicated in article 27 of these Regulations, requires the authorization of the board of directors or, if one has been created and the matter is urgent, of the executive committee or the chief executive officer, with the subsequent ratification of the board of directors, subject in both cases to a report by the Audit and Control Committee.
2. Before authorising the Company to carry out this type of transactions, the Audit and Control Committee and the board of directors or the executive committee or the chief executive officer will assess the transaction in accordance with the principle of equal treatment of shareholders and stock market conditions.
3. The board's approval is not required for related transactions that simultaneously meet the following three conditions: (i) they are carried out under contracts which are subject to general standard conditions applied broadly to a large number of customers; (ii) they are carried out at prices or tariffs established in general by the suppliers of the good or service in question; and (iii) their value does not exceed 1% of the Company's annual income.
4. A general authorisation by the board of directors may suffice for normal or recurrent transactions in the ordinary course of the Company's business.
5. Authorisations for transactions with a director or related person which value is greater than 10% of the Company's assets requires the approval of the general shareholders' meeting.

TITLE X. INFORMATION POLICY AND RELATIONSHIPS OF THE BOARD OF DIRECTORS

Article 33. Website

1. The Company has a website to fulfil the shareholders' right to information and to disclose the information required by securities market regulations, including information and documents related to calling general shareholders' meetings, and any other documentation and information that the board of directors wishes to make it available to the shareholders.
2. The Company will make public through its website and keep the following information about its directors updated:
 - (i) Background and professional profile
 - (ii) Any other board of directors of which they are a member, whether or not it is in a listed company, as well as other remunerated activities they carry out.

- (iii) Director category, stating, in the case of proprietary directors, the shareholder they represent or with whom they are connected.
 - (iv) Date on which they were first appointed to the board and any reappointments.
 - (v) Shares in the Company and stock options.
3. The board of directors must have the information to be included in the Company's website in accordance with the applicable regulations. The board is also responsible for updating the information as established by law.

Article 34. Relationship with shareholders

1. The board of directors must ensure that the appropriate channels are in place for it to receive any proposals made by shareholders in relation to the Company's management.
2. The board of directors may, through some of its directors and with the cooperation of any senior executives, as appropriate, organise information meetings on running the Company and its group for shareholders residing in the most important financial markets in Spain and abroad.
3. The board of directors must set up appropriate measures for the regular exchange of information with institutional investors that are shareholders of the Company. Under no circumstance may the relationship between the board of directors and the institutional shareholders result in the disclosure of any information that could put them with a privileged situation or give them an advantage over the other shareholders.
4. Public requests for proxy representation made by the board of directors or any of its members must indicate how the representative must vote should the shareholder not give specific instructions in this regard.
5. The board of directors must define and promote a policy of communication and contacts with shareholders, institutional investors and voting advisors that complies in full with the rules on market abuse and must treat shareholders in the same position equally. The board of directors publish this policy on the Company's website, and will report on how it has been implemented, identifying the parties responsible for carrying it out.
6. The board of directors must encourage the informed participation of shareholders at general shareholders' meetings and must implement appropriate measures to facilitate the effective exercise by the general shareholders' meeting of the duties falling within its scope of authority in accordance with the law and the articles of association.

In particular, the board of directors must implement the following measures:

- (i) It will endeavour to make available to all shareholders, prior to the meeting, all the statutory information and any information that, although not mandatory, may be of interest and can reasonably be provided.
- (ii) It will diligently respond to requests for information made by shareholders prior to the general shareholders' meeting.
- (iii) It will diligently answer any questions posed by shareholders during the general shareholders' meeting.

Article 35. Relationship with markets

1. The board of directors, by issuing significant event notices and through the Company's website, must immediately make public all material information as provided in the regulations in force.

- 2. The board of directors must implement adopt measures to ensure that all half-yearly, quarterly or other financial information that must reasonably be made available to the market, is prepared according to the same principles, methods and professional practices as used for the annual accounts and is as reliable as them.
- 3. The board of directors must include information on the Company's corporate governance rules and the level of compliance with them in its public annual report.

Article 36. Relationship with auditors

- 1. The Audit and Control Committee proposes to the board of directors, to be then submitted to the general shareholders' meeting, the appointment (including the terms and conditions of the contract and the scope of the professional engagement), renewal and revocation of the auditor and supervises compliance with the audit engagement contract pursuant to article 13 of these Regulations. The Audit and Control Committee will refrain from proposing to the board of directors, and in turn the board will refrain from submitting to the general shareholders' meeting, for appointment as the Company's statutory auditor any audit firm meeting any of the disqualification criteria established in audit legislation, or any other firm in which the fees to be paid by the Company, for all items, exceed five percent of that firm's total revenue during the previous reporting period.
- 2. The board of directors endeavour to prepare the definitive financial statements so that the auditor does not make a qualified opinion. If the auditor provides a qualified opinion, both the chairperson of the Audit and Control Committee and the external auditor will explain the content of the qualified report to the shareholders. Nevertheless, when the board is of the opinion that it must uphold its criterion, it will publish the content and scope of the discrepancy.
- 3. The board of directors will inform, publicly and in the way provided in the applicable regulations, of the amount broken down by item of fees for account auditing and other services provided by the account auditor, as well as those corresponding to persons or entities linked to the auditor.

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Making the proposals to the board of directors described in clauses 5.4(B) to 5.4(D) below, that is: the fixed and variable remuneration of the Management Team, as well as any other compensation or consideration to be received by that team, will be approved by the board of directors, at the proposal of the Appointments and Remunerations Committee. In addition, the implementation or modification of an incentive strategy (including, without limitation, a phantom stock option plan) must be approved by the board of directors, at the proposal of the Appointments and Remunerations Committee.