



**REGULATIONS OF THE
AUDIT AND
COMPLIANCE
COMMITTEE**

**DISTRIBUIDORA
INTERNACIONAL DE
ALIMENTACIÓN, S.A.**



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CHAPTER I.- PRELIMINARY MATTERS

ARTICLE 1. OBJECT AND NATURE

1. The Audit and Compliance Committee (the “**Committee**”) of Distribuidora Internacional de Alimentación, S.A. (the “**Company**”) is a permanent internal body of an informative and consultative nature established by the Board of Directors with the power to report, advise and make proposals.
2. These regulations (the “**Regulations**”) set out the Committee’s competences and the principles underlying its actions, as well as the basic rules governing its organization and functioning, and their purpose is to ensure that the Committee’s independence of action.
3. The members of the Committee, and insofar as may concern them the other members of the Board of Directors, are required to know and abide by these Regulations. Meanwhile, the Committee is under the obligation to oversee compliance with these Regulations and to take the pertinent measures to ensure the necessary dissemination of the same throughout the rest of the organization.

ARTICLE 2. INTERPRETATION

1. These Regulations complete and implement the regulatory regime applicable to the Committee in accordance with prevailing legislation, the corporate By-laws and the Regulations of the Company’s Board of Directors. Hence, said regulatory framework shall prevail in the event of any clash with these Regulations.
2. The Regulations shall be construed in conformity with the applicable legal and internal rules.
3. The Committee shall be competent to resolve any matters arising in connection with the application and interpretation of these Regulations in accordance with the general criteria applicable to the construction of legal norms, subject to the final decision of the Board of Directors.

ARTICLE 3. AMENDMENT

1. These Regulations require approval by the Board of Directors.
2. Any amendment to the Regulations made either on the initiative of the Board of Directors or of the Committee, in the latter case as proposed by its Chair or by the majority of its members, will require approval by a resolution of the Board of Directors. Where any amendment of the Regulations is adopted on the initiative of the Committee, such amendment will not be valid unless enshrined in an *ad hoc* resolution adopted by the majority of the Committee members, which will subsequently be brought before the Board of Directors for final approval. All amendments will enter into force on the date of their approval by the Board.



3. These Regulations will be revised and updated wherever necessary to bring their contents into line with applicable legislation or to include any improvements deemed appropriate.

ARTICLE 4. DISSEMINATION

The prevailing version of these Regulations will be published and at all times available on the corporate website of Distribuidora Internacional de Alimentación, S.A.

CHAPTER II.- FUNCTIONS

ARTICLE 5. COMPETENCES

1. In addition to any other competences which may be entrusted to it by the Board from time to time, the Committee's principal responsibilities comprise the following: (i) to oversee the independence of the auditors and to supervise the selection process and proposals for the appointment, reselection or replacement of auditors; (ii) to oversee the independence and effectiveness of the internal audit function; (iii) to supervise the processes involved in the preparation and reporting of mandatory financial information; (iv) to oversee the effectiveness of the Company's internal control system and risk management systems; (v) to oversee compliance with the corporate social responsibility policy, internal codes of conduct and legislation applicable to related-party transactions involving directors and significant shareholders; and (vi) to advise the Company's Board of Directors.
2. The Committee will act in accordance with the following basic principles in the discharge of its functions: (i) responsibility; (ii) scepticism; (iii) constructive dialogue and encouragement of the free expression of views by all Committee members; (iv) ongoing dialogue with the internal audit department, the auditor and management; and (v) sufficient analytic capacity (recourse to experts).
3. The competences of the Committee comprise those mentioned in this Chapter, notwithstanding any other tasks or duties which may be assigned to it by Law, by the Company's internal regulations or by the Board of Directors.

ARTICLE 6. AUDIT FUNCTIONS

The Committee will have the following functions in matters relating to the auditor:

1. To define, periodically review and oversee compliance with the procedure or policy for selection of the auditor, specifying the criteria and parameters to be taken into consideration in light of recommendations prevailing from time to time.
2. To make proposals to the Board of Directors, for eventual approval by the shareholders at the General Meeting, with regard to the selection, appointment, re-selection or replacement of the auditors engaged to examine the accounts of the Company and its group, undertaking the selection process and arranging the terms of engagements, as well as seeking regular information from the auditors with regard to their audit plan and the



progress thereof, and safeguarding the independence of the auditors in the discharge of their functions. In discharging this function, the Committee will also provide guidance to the competent corporate bodies and will make proposals with regard to the selection, appointment, reselection or replacement of the auditors of the other group companies.

3. To obtain the external auditors' annual representations of independence in relation to the Company and other directly or indirectly related undertakings, and to seek detailed, itemized information on any additional services of any kind provided and the fees received in respect of thereof by the aforementioned auditors or by any persons or entities related with the same, in accordance with prevailing audit legislation.
4. To issue an annual report before issuance of the audit report, expressing an opinion on the independence of the auditor or auditors. This report will in any event state the reasons for any additional non-audit services provided by the auditors, considered both individually and as a whole, and will explain their impact on auditor independence and compliance with prevailing audit regulations.
5. To establish appropriate relations with the auditors in order to obtain information regarding any matters which might compromise their independence and matters arising in connection with the audit procedures carried out and, where applicable, the authorization of other services permitted by prevailing legislation, and to receive all other communications required under legislation governing the audit of financial statements and by prevailing audit standards.
6. To establish internal sources within the Company to obtain relevant information with regard to auditor independence from the finance and other departments, internal audit and other assurance departments, and from the regulatory compliance and risk department, in addition to using external sources such as information provided by the auditor itself.
7. Where necessary to seek explanations from the auditor on the internal quality control system in place to assure their independence, as well as information on internal audit partner and staff rotation practices and their compliance with prevailing audit legislation. For these purposes, the Committee may require the auditor to report on compliance in these areas in the annual independence letter issued by the auditor.
8. To assure that the remuneration of the auditor for the work performed does not compromise either audit quality or independence, and to examine any significant changes affecting the auditor's total remuneration.
9. To supervise compliance with the terms of the audit engagement, seeking to ensure that the auditor's opinion on the annual accounts and the main contents of the audit report are clearly and precisely worded, and to assess the results of each audit.



10. Annually to assess the actions of the auditor and its contribution to audit quality and to the integrity of the financial information based on the evaluation parameters established in the auditor selection policy.
11. To serve as a channel of communication between the Board of Directors and the auditor, assessing the results of each audit and the responses of the management team to the auditor's recommendations, and to mediate in any disputes between the Board and the auditor in relation to the principles and criteria applicable to the preparation of the financial statements.
12. To ensure that the auditor holds at least one annual meeting with the full session of the Board of Directors to report on the audit work carried out and on developments in accounting matters and the risks to which the Company is exposed.
13. To ensure that the auditor respects prevailing regulations governing the provision of non-audit services, the limits on the concentration of the auditor's business and the terms of regulations governing auditor independence in general. For these purposes, the Committee may review and approve additional policies and guidelines to implement the principles set out herein with regard to the approval and/or prohibition of certain non-audit services and in relation to audit legislation in general.

In this regard, the Committee will be responsible for prior approval of non-audit services, and in this regard it will consider: (i) the nature, circumstances and context of the services concerned, as well as their effects and any threat to auditor independence which such services might pose; (ii) whether the audit firm is the most appropriate provider for the services in question, given its experience and expertise; (iii) remuneration of non-audit services, either individually or overall, in relation to the amount of audit fees and the parameters applied by the audit firm to determine its own remuneration policy; and (iv) where appropriate, approval of orientational limits on the fees payable to auditors in respect of non-audit services based on the provisions of Spanish law and EU regulations.

The Committee may delegate the approval of such guidelines and policies to its Chair in urgent cases, notwithstanding the requirement to present a full report at the next meeting of the Committee.

14. Where an auditor may step down, to examine the circumstances leading to its decision and to ensure that the Company duly report the change of auditor to the Spanish National Securities Market Commission ("CNMV" in the Spanish acronym) in a relevant event notice accompanied by a statement regarding the possible existence of disagreements with the outgoing auditor and, where applicable, the content of the audit report.
15. To review compliance with the post-audit prohibitions established in articles 23 and 39.2 of the Spanish Audit Act.



ARTICLE 7. INTERNAL AUDIT FUNCTIONS

1. The Company will maintain an internal audit department, which will oversee the proper functioning of internal information and control systems under the oversight of the Committee.
2. The head of internal audit will present the department's annual working plan to the Committee. Said officer will likewise directly report any matters arising in the implementation of the plan to the Committee and will submit a regular year-end report on activities and reports issued during the year, together with recommendations and action plans.
3. The Committee's duties in relation to the internal audit function comprise:
 - a) Overseeing the independence and effectiveness of the internal audit department.
 - b) Proposing the selection, appointment, reselection and dismissal of the officer placed at the head of the internal audit department.
 - c) Approving the annual internal audit working plan each year, ensuring that both the department's management and staff have sufficient human, financial and technological resources as needed to implement the plan, and that the department's activity is focused principally on key financial and non-financial risks for the Company.
 - d) Proposing the internal audit budget to the Board of Directors.
 - e) Orienting and supervising internal audit activities in the Company and the Group, ensuring that actions are focused on the principal risks to which the Company and the Group are exposed.
 - f) Appraising the functioning of the internal audit department and the performance of its head. This appraisal should include an evaluation of the degree of compliance with the objectives and criteria established, as well as the opinion of the Company's executives, with the aim of determining the annual variable remuneration to be paid to the head of the internal audit department, which will be determined with the participation of the Committee.
 - g) Obtaining periodic information about the activities carried out by the internal audit department and, specifically, about the annual working plan, matters arising and recommendations made in respect thereof.
 - h) Ensuring that management takes into consideration the findings and recommendations contained in the reports issued by the internal audit department.



ARTICLE 8. FUNCTIONS RELATED WITH THE PREPARATION OF FINANCIAL INFORMATION

The Committee has the following key functions:

1. To oversee the preparation and reporting process, and the clarity and integrity of financial and non-financial information concerning the Company and its Group, reviewing compliance with regulatory requirements, appropriate definition of the consolidated group, and proper application of accounting standards, and to present recommendations and proposals to safeguard the integrity of financial information to the Board of Directors.

The Committee will perform this supervisory role both on an ongoing basis and *ad hoc* where so instructed by the Board of Directors.

2. To assess the periodic and/or mandatory basis financial and non-financial which the Company is required to report to the markets and supervisory agencies in order to track compliance with legal requirements and the proper application of generally accepted accounting principles, and to report an material changes in accounting criteria to the Board of Directors, including in particular any significant adjustments identified by the auditor or arising from internal audit review procedures.
3. To examine the reasons why the Company uses any alternative performance measures in public financial information rather than the measures directly defined in the pertinent accounting standards, explaining the extent to which the information provided is useful to investors and the measures' compliance with best practices and relevant international recommendations.
4. Adequately and appropriately to address, respond to and take into consideration any instructions issued by the public body responsible for the supervision of financial information, whether in the current or prior years, and to ensure that the matters mentioned in such instructions do not recur.
5. To coordinate procedures for reporting non-financial and diversity information in accordance with applicable legislation and the relevant international standards.

In this regard, the Committee will verify that periodic financial information is prepared applying the same criteria as annual financial information, and for this purpose it will, where appropriate, propose to the Board of Directors that the external auditor should carry out limited review procedures on non-annual periodic information, whether half-yearly or quarterly.

6. To establish an internal control system for the financial information capable of allowing confidential, anonymous reporting of any potentially significant irregularities, especially with regard to financial and accounting matters affecting the Company.



7. To ensure that the financial information published on the corporate website is kept constantly up to date, a function which the Committee may delegate internally within the Company, and that it is in line with information prepared by the Company's directors and, where applicable, subject to mandatory publication on the CNMV website.

ARTICLE 9. FUNCTIONS RELATING TO INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Committee has the following key functions:

1. Periodically to review the effectiveness of internal control and risk management systems taken as a whole, addressing both financial and non-financial risks, including tax issues, and obtaining the pertinent reports from department heads, the internal control department and any persons engaged for these purposes in order to allow identification, analysis and adequate reporting of the principal risks arising, and to examine any weaknesses observed in the internal control system in the course of audit procedures together with the auditors, while safeguarding their independence at all times.

The Committee may make recommendations or proposals to the Board of Directors as a result of these review procedures.

The Committee will periodically review the need to establish an independent risk control and management unit, and in the absence of such it will ensure that the Company has implemented alternative processes to ensure that management, the Committee itself and the Board are duly informed as to the proper functioning of the internal control and risk management system as provided in the policy approved by the Board.

2. To oversee policy in relation to the control and management of any risks which might affect the attainment of corporate objectives, including such supervision, in general, in the agenda for meetings of the Committee in order to ensure that all significant risks are examined over the course of the year.
3. To foster a culture in which risk is a factor that is taken into account in all decisions and at all levels of the Company, periodically reassessing the list of risks and the tolerance levels established for each one, identifying and understanding emerging risks and the existing alert measures and their effectiveness.
4. To ensure that the risk control and management policies approved by the Board define at least the following:
 - a) The different types of financial and non-financial (e.g. operational, technological, legal, corporate, environmental, political and reputational) risks to which the Company is exposed, including financial and business exposures, contingent liabilities and other off-balance sheet risks.



- b) The level of risk which the Company considers acceptable, obtaining reliable intelligence as to the management of key risks and their continuation within the tolerance values established, and analysing values with a view to proposals for adjustment.
 - c) The measures established to mitigate the impact of the risks identified, in the event any should materialize.
 - d) The information and internal control systems used to control and manage the aforementioned risks.
5. To ensure that the Internal Audit Department, or such alternative mechanisms as may be implemented to ensure that Management, the Committee and the Board of Directors are involved in the definition of the risk strategy, in the proper functioning and effectiveness of control systems, and in the mitigation of the risks identified.
6. To hold at least one meeting per year with each of the officers in charge of the Group's businesses to allow the same to explain trends in their respective businesses and the associated risks.

ARTICLE 10. FUNCTIONS RELATING TO OBLIGATIONS INCUMBENT UPON LISTED COMPANIES

The Committee has the following key functions:

1. To report to the Board of Directors before the adoption of any decisions regarding the following matters:
 - a) Creation or acquisition of equity investments in special purpose vehicles and entities registered in countries or territories defined as tax havens, as well as any other transactions or operations of a similar nature which in view of their nature could adversely affect the transparency of the Company or its group.
 - b) Related-party transactions involving directors or significant shareholders, or their representatives on the Board. For these purposes, the Committee will collect and examine all necessary information and documentation, where appropriate seeking expert reports dealing with issues like the impact of a proposed transaction on the corporate interest or arrangement of a transaction on the arm's length basis. In particular, the Committee will oversee reporting of related-party transactions to the market as required by law.
2. To oversee compliance with internal codes of conduct and, in particular, with the code of conduct established for dealings in the stock market.



3. To establish a whistle-blowing mechanism allowing employees confidentially and, where appropriate, anonymously to report any potentially material irregularities, especially of a financial or accounting nature, which they may observe in the Company.

In this regard, the Committee will seek periodic information on the functioning of the aforesaid mechanism, including at least the number of complaints received, their origin, typology and the results of investigations, as well as proposed actions. Having analysed this information, the Committee will propose the appropriate action, where considered necessary, to improve functioning and reduce the risk of future irregularities.

4. To approve a Code of Ethics and establish procedures to ensure respect for the principles of professional integrity and ethical conduct, as well as measures to identify and correct any deviation from such values within the organization. To draw up, revise and update a declaration of ethical standards in relation to the reliability of financial information and compliance with applicable legislation for approval by the Board of Directors and distribution at all levels of the organization.
5. In the context of matters arising in connection with this competence of the Audit and Compliance Committee, and notwithstanding the general functions and competences assigned to other Committees, to examine compliance with the Internal Regulations governing Professional Conduct, the Code of Ethics, the Regulations of the Board of Directors, these Regulations and, in general, the rules of governance of the Company, and to make the necessary proposals for their improvement, including periodic appraisal of the Company's system of corporate governance, in order to discharge the Committee's mission of promoting the corporate interest and to ensure that the legitimate interests of all stakeholders are duly taken into account.
6. To review the corporate social responsibility policy in order to ensure that it is value oriented, while monitoring corporate social responsibility strategy and practices and evaluating the level of compliance. To review the Corporate Social Responsibility Report and propose to the Board all such changes as may be considered necessary as a result of periodic reviews of the policy approved and assessments of compliance levels.
7. To supervise the strategy for communication and relations with shareholders and investors (including small and medium-sized shareholders), and with other stakeholders.
8. To report on any matters falling within the Committee's remit mentioned in the Annual Corporate Governance Report before its approval by the Board of Directors.

ARTICLE 11. OTHER FUNCTIONS

1. To report on any operations or transactions that might cause conflicts of interest before their authorization by the Board of Directors or the General Meeting of the shareholders, as follows:



- a) transactions with the Company and other Group companies;
 - b) transactions between Directors of the Company or the Group and related persons;
 - c) transactions between significant shareholders or shareholders represented on the Board of Directors and related persons;
 - d) transactions between senior executives and other managers; and
 - e) any other relevant transaction involving the above, unless consent is not required by law or the Company's own internal regulations.
2. To approve any of the operations or transactions mentioned in the preceding paragraph where so charged by the Chairman of the Board of Directors, in which case the Committee will report to the Board as soon as possible.
 3. To report on any authorization or waiver of duties granted to a director before the adoption of the pertinent decision by the Board of Directors.
 4. To report to the Board of Directors on the tax consequences of operations and transactions, in particular when approval by the Board is required, based on information received from the officer responsible for the Company's tax affairs and on the tax policies applied by the Company, where such tax issues could constitute a significant risk factor.
 5. To report to the Board of Directors on any structural changes or corporate transactions planned by the Company before their approval by the Board. In such cases, the Committee's report will focus on financial terms and conditions, accounting impacts and, where applicable, the exchange ratios employed.

CHAPTER III.- COMMITTEE MEMBERS AND THEIR DUTIES

ARTICLE 12. MEMBERSHIP

1. The Committee will be formed by a minimum of three (3) and a maximum of five (5) directors appointed by the Board of Directors from among the external directors. In any event, the majority of the Committee will be independent directors.
2. Acting on its own initiative or at the proposal of the Committee, the Board of Directors will fix the number of members subject to the report of the Appointments and Remuneration Committee.

ARTICLE 13. CRITERIA AND CONDITIONS FOR THE APPOINTMENT OF COMMITTEE MEMBERS

1. The members of the Committee, and in particular its Chairman, will be appointed by the Board in view of their background and expertise in accounting, audit and risk management. Competence and experience in the fields of financial, internal control and



business management will also be valued, as well as knowledge, skills and experience relating to the Committee's other tasks.

In particular, a director will be considered to have the requisite expertise and experience in the fields of accountancy, audit or both for membership of the Committee if he/she has: (a) a knowledge of accounting and/or audit legislation; (b) the ability to assess and interpret the application of accounting rules; (c) experience in the preparation, audit, analysis and evaluation of financial statements involving a degree of complexity similar to that of the Company's own, and/or experience supervising one or more persons involved in tasks of this nature; and (d) an understanding of internal control mechanisms related with the processes involved in the preparation of financial reports.

2. For these purposes, knowledge and professional experience gained in the discharge of functions directly associated with the relevant fields will be viewed in a positive light, as will expertise gained from the discharge of management and executive duties and responsibilities related, inter alia, with the matters concerned.
3. The Board will seek to ensure diversity in the Committee's membership, in particular with regard to matters of gender, professional background, skills, industry expertise and geographical origin.

ARTICLE 14. APPOINTMENT AND TERM OF OFFICE

1. The Board of Directors will appoint and dismiss the Committee's members.
2. The Committee members will be appointed for a maximum term of three (3) years and may be re-elected on one or more occasions for maximum terms of the same duration.
3. Where any Committee members may be reappointed as directors of the Company, they will continue to discharge their office in the Committee, unless otherwise decided by the Board of Directors.
4. The members of the Committee and, in particular, its Chair will receive sufficient remuneration in line with the responsibilities assumed. The remuneration of the Chair and that of the other Committee members may differ. However, this remuneration must not under any circumstances compromise the independence and objectivity of the Committee members.

ARTICLE 15. TERMINATION OF OFFICE

The members of the Committee will cease to hold office at the decision of the Board or:

1. When the term for which they were appointed elapses, in the absence of reappointment.
2. When they cease to hold office as members of the Board of Directors.



3. When they cease to hold office as external directors of the Company although without losing their condition as members of the Board of Directors.
4. When any independent directors lose their condition as such, if such circumstance would reduce the number of independent directors holding seats on the Committee below the majority required.
5. In all cases where so required by law, the corporate By-laws, the Regulations of the Board of Directors or any other applicable norms.
6. Where so decided by the Board of Directors.

ARTICLE 16. COMMITTEE CHAIR

1. The Committee will appoint a Chairperson from among its members, who will necessarily have sufficient capacity and availability to offer the Committee greater dedication than the rest of its members.
2. The Committee's Chair must necessarily be appointed from among the independent directors holding seats, in view of his/her expertise and experience in the fields of accounting, audit and risk management.
3. In the event of absence, the independent director with the longest service on the Committee, or by default the oldest independent director and Committee member, will stand in for the Chair.
4. The Chair will be replaced every four (4) years but may be re-elected after a period of one (1) year has elapsed since his/her removal, notwithstanding his/her continued membership of the Committee.
5. Notwithstanding the terms of the Board Regulations and these Regulations, the duties of the Chair will be as follows:
 - a) To plan the Committee's meetings;
 - b) To ensure that the members of the Committee participate freely in deliberations and are not affected by internal or third-party pressures;
 - c) To establish a channel for effective, regular communication with the usual interlocutors, including principally (i) Management of the Company, and in particular general and financial managers, (ii) the head of the internal audit department and (iii) the principal auditor responsible for examining the accounts, and to ensure the involvement of other Committee members in communication processes.
 - d) To channel and provide the necessary information and documentation to the other Committee members via the Secretary with sufficient time in hand to allow analysis before meetings are held.



- e) To report to the Board of Directors on each meeting held, providing sufficient detail to allow the Board to discharge its duties. And
- f) Where appropriate, to act as the spokesperson for the Committee at General Meetings of the Shareholders.

ARTICLE 17. COMMITTEE SECRETARY

1. The Committee will appoint a Secretary and may also designate a Deputy Secretary, neither of whom needs be a member. If no appointments are made to these offices, the Committee members will perform the roles.
2. Notwithstanding the terms of the Board Regulations and these Regulations, the duties of the Secretary and Deputy Secretary will be as follows:
 - a) To plan meetings and agendas, and to collate and distribute information to the Committee members.
 - b) To draft and keep the Committee's documents, reflecting the content of meetings in the minutes books, certifying the resolutions adopted and assuring the legality of the Committee's actions.
 - c) To channel and coordinate the Committee's relations with the Group's other bodies and departments in line with the instructions provided by the Chair.
 - d) To channel the Committee's resource needs.

CHAPTER IV.- DUTIES AND POWERS OF THE COMMITTEE

ARTICLE 18. DUTIES OF THE COMMITTEE MEMBERS

1. The Committee members will act independently of all other members of the organization and will maintain a sceptical attitude, questioning the data, evaluation processes and initial conclusions reached by the executives, managers and internal and external auditors of the Company, and carrying out their work with maximum diligence and professional competence.

In this regard, the Committee members shall dedicate sufficient time to analysing and assessing the information received before attending formal meetings.

2. The Committee members will be subject, in their capacity as such, to all duties of the directors mentioned in the Regulations of the Board of Directors, in the Corporate By-laws and in prevailing legislation, insofar as they may apply to the functions performed by the Committee.



ARTICLE 19. POWERS OF THE COMMITTEE MEMBERS: RESOURCES, ADVICE AND RIGHT TO INFORMATION

1. The Company will provide the Committee with sufficient resources to carry out its mission and will freely allow access to any information needed for the discharge of its functions. The Committee's resource needs will be channelled via the Secretary or Deputy Secretary to the Board of Directors.
2. The Committee Secretary or Deputy Secretary will channel the necessary information and documentation to the other Committee members with sufficient time in hand to allow analysis before meetings are held. The Secretary and the Deputy Secretary will be provided with assistance as necessary to plan meetings, draft documents and draw up minutes, and collate distribute information.
3. The members of the Company's management team and staff will be required to attend meetings, cooperate with the Committee and provide all and any information they may hold upon request. The Committee may also request the Company's auditors to attend its meetings. However, auditors may not be present when the Committee adopts its decisions.
4. Where deemed necessary for the proper discharge of its duties, the Committee may seek the advice of external experts at the Company's expense. Such experts will address their reports directly to the Chair of the Committee.

For these purposes, the Secretary or Deputy Secretary to the Board of Directors will be advised of consultation needs and will contract the pertinent services. In such cases, the Committee will take steps to ensure that no potential conflicts of interest might adversely affect the independence of the external advice received.

CHAPTER V.- FUNCTIONING OF THE COMMITTEE

ARTICLE 20. COMMITTEE MEETINGS

1. The Committee will meet at least on a quarterly basis to review the periodic financial information to be reported to market supervisors, as well as any information requiring the approval of the Board of Directors for inclusion in the annual or interim reports published.
2. The head of the internal audit department will attend these meetings, as will the external auditor when any review reports are to be issued. At least a part of these meetings with the internal audit department and the Company's external auditor will be held without the presence of the Company's management team to allow discussion to focus exclusively on the specific issues arising from the review procedures carried out.
3. The Committee will meet when convened by its Chair, either on his/her own initiative



or at the request of the Chairman of the Board of Directors or two of the Committee members. The Committee Chair may convene extraordinary meetings of the Committee where the circumstances so warrant in his/her opinion.

4. Where deemed appropriate, the Committee Chair may invite third parties to meetings of the Committee (executive directors, Directives, employees, experts, etc.), although only to address those specific points on the agenda for which their presence was requested.
5. If none of the Committee members objects, the Committee may also adopt resolutions in writing without meeting in accordance with applicable legislation and the Board Regulations, in which case votes may be case by letter or by email, provided the identity of the director voting can be clearly established.

ARTICLE 21. CALLS FOR MEETINGS

1. Calls for meetings may be served by letter, telegram, fax, email or any other means providing evidence of receipt.
2. Calls for meetings will be issued at least five days in advance except in urgent cases, when they may be convened by the Chair at forty-eight (48) hours' notice, and they will always include the agenda for the meeting and sufficient, relevant information duly summarized and prepared for review. The agenda will clearly state the points on which the Committee will be required to adopt any decision or resolution. The Secretary is responsible for the effective functioning of the Committee, and in this role he/she will ensure that the documentation to be provided to the directors, where appropriate, is delivered with sufficient time in hand.
3. All Committee members will have the right to require the Chair to include certain issues in the call for any meeting of the Committee, notwithstanding the right of each member to make proposals. A formal call for a meeting of the Committee will not be necessary if all of its members are present either in person or by proxy and unanimously agree to hold a meeting.

ARTICLE 22. CONDUCT OF MEETINGS

1. The Committee will be held quorate when the majority of its members are present either in person or by proxy.
2. The Committee will convene at the venue indicated in the call for the meeting.
3. The Chair will direct debate and voting will be by show of hand.
4. In order to encourage diversity of opinion and enrich the analysis of the Committee's proposals, the Chair will ensure that its members participate freely in deliberations without coming under any internal or third-party pressures and will foster constructive



debate between its members, promoting the unfettered expression of views and a critical stance.

5. Except in cases where the law or the by-laws establish specific quorums, the Committee will adopt its resolutions by majority vote of the members present at a meeting, whether in person or by proxy. The Chair will not have a casting vote in the event of a tie.
6. Where the decisions taken by the Committee directly affect one of its members or any persons related with the same, or in general where a member is affected by any conflict of interest, the member concerned will leave the meeting until a decision is adopted, and his/her vote will be deducted from the Committee members' total votes for the purpose of establishing majorities.
7. Minutes will be kept of the resolutions adopted at each meeting, and a full report will be made to the Board. The minutes will be signed and approved at the end of each meeting or at the beginning of the next. Minutes will bear the signatures of the Committee Secretary (or the Deputy Secretary or acting secretary for the meeting) and of the Chair by way of approval. The minutes will be made available to all members of the Board of Directors upon approval.

ARTICLE 23. INDUCTION AND TRAINING PROGRAMMES

1. An induction programme will be put in place for new members of the Committee to ensure that all of them have a minimum knowledge of the Company and are able actively to participate from the outset.

This programme will cover at least the following matters: (a) the role of the Committee, and its responsibilities and objectives; (b) the functioning of other specialist committees set up by the Company; (c) the time dedication expected of each member; (d) an overview of the Company's business and organizational models, its group and its strategy, including its main activities, financial structure, key financial and non-financial risks, and key corporate policies, including the Code of Ethics; and (e) the Company's reporting obligations.

2. The Committee will likewise prepare a periodic training plan for its members to enable them to refresh their knowledge of relevant matters, including, inter alia, changes in accounting regulations, the specific regulatory framework governing the Company's business, internal and external audit issues, risk management, internal control and significant technological developments affecting the Company.

ARTICLE 24. ANNUAL WORK PLAN

1. The Committee will approve an annual work plan dealing at least with the following activities:



- a) specific objectives for each of the Committee's functions
 - b) design of an annual schedule of meetings
 - c) systematic organization of information and agendas for meetings
 - d) scheduling, where appropriate, of preparatory working sessions for specific issues to supplement the formal meetings of the Committee
 - e) planning of channels for periodic communication with managers, the internal audit department and the external auditor
 - f) forecasts, to the extent possible, of the need to bring in external experts to advise on any matters falling within the Committee's remit
 - g) planning of the training actions considered necessary, as mentioned in article 23 above
2. Meetings will be planned by the Committee's Chair, who will inform the Committee Secretary accordingly to ensure that members receive documentation with sufficient time in hand.
 3. The annual work plan will be drawn up taking into account that the Committee members' responsibilities are basically of a supervisory and advisory nature, and that they are not involved in the executive and administrative tasks proper to Management and the Company's executive bodies.

ARTICLE 25. ANNUAL APPRAISAL AND REPORT ON THE COMMITTEE'S ACTIVITIES

1. As a part of the Board's annual appraisal, the Committee will independently assess its own performance in order to strengthen its functioning and improve planning for each year. For these purposes, the Committee will seek the opinions of other Directors and, where considered appropriate, it will be assisted by an external consultant.
2. Regardless of the procedure used, a report will be made to the Board of Directors on the issues considered and the findings from the evaluation, which will be taken into account in the Board's annual appraisal.
3. Each year, the Committee will submit a report on its functioning to the Board of Directors for approval. The report finally approved will be made public when the Annual General Meeting is convened. This report will address at least the following matters:
 - a) Regulation of the Committee
 - b) Membership of the Committee in the year, including the class and length of service of each of its members, with a reference to the information on the



Committee members published on the Company's website and a mention of significant capabilities in terms of the expertise and experience contributed by each member.

The criteria and underlying reasoning applied to determine the membership of the Committee will be explained in light of the specific circumstances of each group company, in particular with regard to the appointment of any members who are not independent directors.

- c) Functions and tasks actually discharged by the Committee over the course of the year, changes during the year and reference to the applicable regulations.
- d) Meetings held during the year and number attending, including invitations extended to non-members of the Committee.
- e) Number meetings held with the both the internal auditor and the external auditor.
- f) Significant activities carried out during year (including those undertaken with the assistance of external experts) in relation to:
 - i) financial and non-financial information, and the associated internal control mechanisms
 - ii) related-party transactions, where this function is assigned to the Committee
 - iii) corporate social responsibility policy and implementation during the year, where the Board of Directors may have assigned this function to the Committee
 - iv) risk management and control
 - v) internal audit procedures (or the reasons for their absence, where applicable)
 - vi) external auditor
 - vii) monitoring of the Committee's own action plans
 - viii) nature and scope of communications with regulators, where appropriate
- g) Appraisal of the Committee's functioning and performance, as well as the methods applied to assess effectiveness
- h) Information on the Committee's opinion with regard to the independence of the auditor



- i) Information on practical guidelines for audit committees, and where applicable, which and to what extent they are followed.
 - j) Conclusions
 - k) Date of preparation of the report by the Committee and date of approval by the Board of Directors
4. For the sake of transparency, the Committee's annual report will publicly state the extent to which the annual appraisal of its activities has given rise to significant changes in its internal organization and procedures.

CHAPTER VI.- COMMITTEE RELATIONS POLICY

ARTICLE 26. RELATIONS WITH THE GENERAL MEETING OF THE SHAREHOLDERS

1. Pursuant to these Regulations, the Committee will prepare an annual report for distribution to shareholders to explain issues arising in relation to matters falling within its remit and investors and, in particular, the findings from the audit, describing how it may have contributed to the integrity of the financial information and the role of the Committee in the audit process.
2. The Committee will likewise issue and distribute the following to shareholders: (a) the report expressing an opinion on the independence of the auditors issued prior to issuance of the auditor's report on the financial statements, as mentioned in article 6.4 above; and (b) the report on related-party transactions mentioned in the applicable good governance recommendations.

ARTICLE 27. RELATIONS WITH THE BOARD OF DIRECTORS

1. The Audit Committee is required to report on its activity and to account for its work at the first meeting of the Board of Directors after each of its meetings.
2. The Board of Directors will debate the proposals and reports filed by the Committee.
3. The Committee will submit a report on its activities to the Board of Directors within three months of the end of each financial year of the Company.

ARTICLE 28. RELATIONS WITH THE AUDITOR

1. The Committee will maintain fluid, ongoing communication with the auditor in conformity with the obligations established in audit legislation without compromising the auditor's independence or the effectiveness with which it performs its audit procedures.
2. Communication with the auditor will be provided for in a schedule of activities and an annual schedule of meetings. The majority of meetings will be held without the



presence of management of the Company, and they will address all issues which might influence the audit opinion and the auditor's independence.

In this regard, the auditor will meet with the Committee at least twice per year, once during the preliminary phase of the audit work and the other close to its completion, to report on the performance of the audit and to present findings.

3. The Committee and the auditor will notify each other of any relevant matters observed in relation to the accounts, the internal control system or the audit. In particular, the Committee will obtain regular reports from the auditor on the audit plan and the results of procedures, will monitor the recommendations proposed by the auditor and will seek the auditor's cooperation where required.
4. In accordance with article 6.3 above, the Committee will require the auditor to provide an annual certificate of the independence of the firm as a whole and of those of its members who take part in the annual audit of the Group's financial statements, and to provide information on additional services of any kind provided by the auditors and/or related persons in accordance with prevailing audit legislation.
5. The Committee will supervise the application of the internal quality assurance procedures and independence safeguards put in place by the auditor.

ARTICLE 29. RELATIONS WITH AND FUNCTIONS OF THE INTERNAL AUDIT DEPARTMENTS

1. The Committee will move to set up a unit to perform the internal audit function and oversee the proper functioning of information and internal control systems. The head of the internal audit department will report to the Committee Chair.
2. The Committee will propose the selection, appointment, reselection or removal of the head of the internal audit department for approval by the Board of Directors.
3. The internal audit unit will submit an annual work plan to the Committee, will report directly on any matters arising in the course of procedures and will present an annual report on its activities at the end of each financial year. The Committee will take steps to verify that Management takes into consideration the findings and recommendations contained in its reports.
4. The Committee will obtain periodic reports from management on the functioning of the control and risk management systems in place and, where applicable, on the findings of tests applied to those systems by the Company's internal audit department, as well as any significant internal control weaknesses observed by the external auditor in the course of its audit procedures.



ARTICLE 30. RELATIONS WITH MANAGEMENT OF THE COMPANY

1. The Committee will hold at least one meeting each year with the senior managers responsible for the different business units, at which the same will explain business trends and the associated risks.
2. Via its Chair, the Committee may seek information and/or request the assistance of any executive or employee of the Company and its Group. Accordingly, the executives and employees will be under the obligation to attend meetings of the Committee where so required, and to provide it with their cooperation and access to any information they may hold.