



**BOARD OF DIRECTORS  
REGULATION OF  
DISTRIBUIDORA  
INTERNACIONAL DE  
ALIMENTACIÓN, S.A.**

## **TITLE I. PRELIMINARY**

### **Article 1. Purpose**

1. This regulation is approved by the board of directors of Distribuidora Internacional de Alimentación, S.A. (the “**Company**”), in compliance with the provisions of Article 528 of the Consolidated Version of the Capital Stock Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July 2010 (the “**Companies Act**”).
2. The purpose of this regulation is to specify the principles for actions of the board of directors, the basic rules of its organisation and functioning and the rules of conduct for its members. The regulation seeks to achieve the greatest transparency, effectiveness, motivation, supervision and control regarding the board’s functions of management and representation of the corporate interests, in accordance with the principles and recommendations regarding corporate governance of listed companies.

### **Article 2. Scope of application**

1. This regulation applies to the directors of the Company (the “**directors**”) and, to the extent consistent with their specific nature and the activities they perform, the members of the Company’s management team. The “**management team**” for purposes of this regulation is the managers reporting directly to the board of directors of the Company, to the managing director and, if applicable, to the executive committee or chief executive of the Company.
2. The persons to which this regulation applies will be required to know it, comply with it and cause compliance with it. To that end, the secretary of the board will provide all members with a copy hereof, without prejudice to publication hereof on the Company’s website.

### **Article 3. Priority and interpretation**

1. This regulation develops and completes the legal and articles rules applicable to the board of directors.
2. This regulation will be interpreted in accordance with the principle of hierarchy of regulations, and in accordance with the legal and articles rules that are applicable, as well as the principles and recommendations regarding corporate governance for listed companies.
3. The board of directors, after a report from the nomination and remuneration committee, will resolve such doubts or differences as may arise in application or interpretation of this regulation.

### **Article 4. Distribution and amendment**

1. The board of directors will adopt the measures necessary to distribute this regulation among the shareholders and the general investing public. In particular, and without prejudice to other possible measures, the regulation will be notified to the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*, hereinafter, the “**CNMV**”), attaching a copy of the document comprising it, and will be registered in the Commercial Register. Also, the regulation will be available on the Company’s website.
2. The regulation may be amended on proposal of the chairperson, three (3) directors, the nomination and remuneration committee or the audit and compliance committee. Proposals for amendment must be accompanied by a justifying memorandum and

reviewed and reported on by the nomination and remuneration committee, except when the proposal is made by the latter. The text of the proposal, the justifying memorandum and, if applicable, the report of the nomination and remuneration committee must be attached to the board of directors meeting that is to consider it, on the agenda of which it must expressly appear.

3. Amendment of the regulation must be approved by resolution adopted by an absolute majority of the members of the board of directors attending the session, provided that the favourable vote of the majority of the independent directors is also obtained.

## **TITLE II. BOARD MISSION**

### **Article 5. Authority of board of directors**

1. The board of directors has authority to adopt resolutions regarding all kinds of matters not attributed by law or the articles of association to the general meeting.
2. The board of directors has the broadest power and authority to manage, direct, and represent the Company. As a general rule it entrusts ordinary management of the Company to the delegated administrative bodies, and concentrates its actions on the general function of supervision and on consideration of those matters that are of particular importance to the Company.
3. Judicial and other representation of the Company will correspond to the board of directors, its chairperson, the managing director or the chief executive officer and, if applicable, the executive committee.
4. In any event, the board will assume such authority as is reserved directly to it either by law or by the articles of association, without delegation, and such other authority as may be necessary for the effective exercise of the general supervision function. In particular, by way of illustration and not limitation, the following are non-delegable powers of the board:
  - (a) approval of the general policies and strategies of the Company and the organisation necessary to implement them including, inter alia, the following:
    - (i) the strategic or business plan, as well as annual management objectives and budget;
    - (ii) the investment and financing policy;
    - (iii) the determination of the fiscal strategy of the Company;
    - (iv) the definition of the structure of the corporate group and the coordination, within the legal limits, of the general strategy of the group in the interest of the Company and the companies comprising it;
    - (v) the corporate governance policy of the Company and its group;
    - (vi) the corporate social responsibility policy;
    - (vii) the supervision of the performance of the board committees and acts carried out by delegated bodies and senior managers;
    - (viii) the policy for compensation and evaluation of the performance of the management team;
    - (ix) the policy for control and management of risk, including fiscal risks, and the

- supervision of information and control systems, identifying the principal risks of the Company and organising the appropriate internal control and reporting systems;
- (x) setting the bases for the corporate organisation, in order to assure greater efficiency thereof and effective supervision by the board of directors;
  - (xi) setting and implementing the dividend and treasury share policies, within the framework of the authorisations of the general meeting.
- (b) approval of the following operating decisions:
- (i) call of the general shareholders meeting and drafting of the agenda and of the proposals for resolutions;
  - (ii) appointment of directors by way of co-option and referring proposals to the general meeting regarding appointment, ratification, re-election and removal of directors, (a) at the proposal of the nomination and remuneration committee to appoint independent directors, or (b) prior report of the nomination and remuneration committee for the remaining categories of directors; as well as acceptance of director resignations;
  - (iii) appointment and renewal of those in the internal positions within the board of directors, and the members of and positions of the committees constituted within the board;
  - (iv) delegation of authority to any of its members, on the terms established by law and the articles of association, and revocation thereof;
  - (v) appointment and removal of executive directors and senior managers reporting to the board, as well as the establishment of basic conditions of their contracts, including their remuneration;
  - (vi) granting an authorisation or exemption of the obligations deriving from the duty of loyalty, when the granting of such authorisation lies with the board;
  - (vii) preparation of the financial statements, management report and proposal for application of profits of the Company, as well as the consolidated financial statements and management report, and their submission to the general meeting for approval;
  - (viii) approval of the financial information that the Company, being a listed company, must periodically disclose;
  - (ix) preparation of the annual corporate governance report and the annual report on directors remuneration, both to be presented to the general meeting and the other reports and documents that must be submitted to it;
  - (x) approval of amendment of this regulation;
  - (xi) proposal to the general shareholders meeting of the Company of the amendments to the regulation of the general shareholders meeting it deems to be appropriate to ensure exercise of shareholders' rights of participation;
  - (xii) decisions concerning the remuneration of the board members, in accordance with the articles of association and, if applicable, the remuneration policy as approved by the general meeting;
  - (xiii) fixing, in the case of inside directors, any additional consideration for their

- management duties and other terms of their contracts;
- (xiv) the establishment of strategic alliances with industrial, commercial or financial groups, domestic or foreign;
  - (xv) investments, divestitures or transactions of all kinds (including financing transactions) that, by reason of their high amount or special characteristics, are of a strategic nature or special tax risks, including industrial, commercial and financial transactions of particular importance, unless (i) they have been approved in the annual budget, or (ii) approval thereof corresponds to the general meeting;
  - (xvi) the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature the complexity of which might impair the transparency of the Company and its group, after a report from the audit and compliance committee;
  - (xvii) the powers that the general meeting vested on the board of directors, save for those that the latter has been expressly authorised to subdelegate; and
  - (xviii) the preparation of any type of report required by law when the operation to which the report refers cannot be delegated; and
- (c) approval of the transactions entered into by the Company or companies of its group with directors, as defined by the Act, or with shareholders who own, individually or jointly, a significant stake, including shareholders represented in the board of directors of the Company or companies of its group or individuals linked to them (“**Related Party Transactions**”). The directors concerned or represented or are linked to the relevant shareholders must refrain from participating in the deliberation and voting of the resolution in question.

Nonetheless, transactions that simultaneously satisfy the three following conditions will not require board authorisation:

- they are governed by standard contracts applied on an across-the-board basis to a large number of customers;
  - they are entered into at market prices or rates, generally fixed by the person supplying the goods or services; and
  - the amount of the transaction does not exceed one percent (1%) of the annual revenue of the Company.
5. Under urgent, duly justified circumstances, decisions concerning (b) and (c) may be adopted by the delegated organs or persons, provided that they are ratified in the first board meeting held after the adoption of said decisions.

#### **Article 6. Evaluation of the board of directors and its committees**

1. The board, as the one responsible for the corporate governance policy, on a yearly basis, will evaluate the quality and efficiency of the functioning of the board, the performance of their duties by the chairperson of the board and the chief executive officer of the Company, the operation and composition of its committees, the diversity of the composition and the competences of the board and the performance and contribution of each board member, with special attention to those responsible for the different committees.
2. The different committees shall be evaluated on the basis of the reports submitted to the board by said committees, and the evaluation of the board shall be based on the reports presented

by the nomination and remuneration committee.

3. The board shall adopt an action plan to correct any deficiencies detected as a result of the evaluations.

#### **Article 7. Corporate interest**

1. The board of directors, in the performance of its functions, shall at all times act in the interest of the Company, that being understood to be to carry out sustainable, profitable business in the long term which promotes the continuity and maximisation of the economic value of the Company, albeit at the same time considering the other legitimate interests, public or private, involved in the conduct of its business activity, particularly those of workers, suppliers, customers and other stakeholders.
2. Also, the board of directors will see to it that, in its relationships with stakeholders, the Company respects the laws and regulations, and that its behaviour is at all times based on good faith, ethics and respect for the customs and best practices of the sectors and areas in which it conducts business, and observes such additional principles of social responsibility as it may have voluntarily accepted.

### **TITLE III. BOARD COMPOSITION**

#### **Article 8. Number of directors**

1. The board of directors will be comprised of the number of directors determined by the general meeting within the limits set by the Company's articles of association.
2. The general shareholders meeting determines the number of directors. The general meeting may fix that number by express resolution or, indirectly, by resolutions filling vacancies and appointing new directors adopted within the limits set by the Company's articles of association.
3. The board will propose to the general meeting such number of directors as, based on the circumstances existing from time to time, is most appropriate to ensure proper representation and effective functioning of the board.

#### **Article 9. Classes of directors**

1. Deemed to be
  - a) Inside directors (or executive directors) are those directors who perform management functions in the Company or its group, irrespective of the legal link they have with it. For these purposes, those treated as inside directors are the chairperson, if he has delegated management functions, the managing director or chief executive officer, if any, and those that in any other way have management responsibilities within the Company or any of its subsidiaries.

The above notwithstanding, directors who are, as well, senior managers or directors of companies which are part of the group of companies where the Company's parent is dominant will be considered as inside directors.

Whenever a director performs managing functions, and, at the same time, is or represents a significant shareholder or a shareholder represented at the board of directors of the Company, it will be considered as an inside director.

- b) Proprietary outside directors are the directors who hold a shareholding interest not less than the legally determined threshold for significant holdings, or are otherwise

appointed due to their status as shareholders, although their shareholding interest does not reach such relevant thresholds, and the persons who represent such shareholders;

- c) Independent outside directors are those directors appointed for their personal or professional qualities who are in a position to perform their duties without being influenced by any connection with the Company or its group, its significant shareholders or its management;
  - d) Other outside directors are the outside directors that cannot be classified as proprietary or independent.
2. The category of each director will be explained by the board of directors to the general shareholders meeting, which must make or ratify the director's appointment. Such categorisation will be confirmed or revised annually in the annual corporate governance report, after verification by the nomination and remuneration committee.

#### **Article 10. Composition of the Board of Directors**

1. The board of directors, in the exercise of its authority to propose to the general meeting and its co-option authority to fill vacancies, will see to it that in this body outside directors represent a broad majority of the board and, in particular, the number of independent directors represents, at least, between one half and one third of the total number of directors, taking into account the stock market capitalisation of the Company and the number of significant shareholders who, individually or jointly, control over 30% of the share capital.
2. The board will also see to it that the ratio of proprietary directors to the total of outside directors reflects the ratio of the capital of the Company represented by proprietary directors and the remainder of the share capital.
3. The rule of strict proportionality between the proprietary and the total of outside directors may be relaxed, in such manner that the former are greater in number than would be applicable based on the total percentage of capital they represent, if within the Company (i) few share interests reach the legal threshold for significant shareholdings, or (ii) there is a plurality of shareholders represented on the board but not otherwise related.
4. If the board of directors appoints or proposes the appointment of proprietary directors on request of shareholders whose shareholdings are less than three percent (3%), it must explain the reasons for doing so in the annual corporate governance report. Similarly, it must state the reasons for not honouring formal requests, if any, for representation on the board from shareholders whose shareholdings are not less than others on the request of which proprietary directors have been appointed.

### **TITLE IV. STRUCTURE OF THE BOARD OF DIRECTORS**

#### **Article 11. Chairperson of the board**

1. The chairperson of the board of directors will be elected, prior favourable report from the nomination and remuneration committee, from among its members and will have the authority contemplated by law, in the articles of association and in this regulation, and such authority, if any, as may be given thereto by the board itself.
2. In particular, the chairperson has the following powers:
  - (a) the ordinary power to call and chair meetings of the board of directors, establish the

agenda and manage its meetings;

(b) to preside at the general shareholders meeting, and lead the discussions and deliberations thereof; and

(c) to exercise the highest representation of the Company before public agencies and any sectorial or employer organisations.

3. Likewise, the chairperson, as the person responsible for the proper operation of the board, will see to it that directors are supplied with sufficient information in advance of any board meeting, and work to procure a good level of debate and the active involvement of directors, safeguarding their rights to freely express and adopt positions, and will organise and coordinate with the chairperson of the nomination and remuneration committee regular evaluations of the board and, where appropriate, the managing director or chief executive.

In the same way, the chairperson shall prepare and submit to the board a schedule of dates and business to be addressed, he/she shall ensure that sufficient time is given to debate of strategic questions and he/she shall agree and review programmes to refresh the knowledge of the directors when the circumstances so require.

4. The office of the chairperson of the board of directors may be held by an inside director. In this case, the designation of the chairperson shall require the favourable vote of two thirds of the members of the board of directors.
5. If the chairperson is, at the same time, the managing director of the Company, the board of directors will appoint a lead director among the independent directors, with the abstention to vote of the executive directors, who will be especially entitled to request a call of the board of directors or the inclusion of points on the agenda of a convened meeting, to coordinate and meet outside directors, and to direct the periodic examination of the chairperson of the board of directors.

In the same way, the lead director shall be empowered to chair the board of directors in the absence of the chairperson and the vice-chairperson, if any; reflect the concerns of the outside directors; maintain contacts with investors and shareholders in order to learn their points of view so as to form an opinion regarding their concerns and, in particular, with regard to the corporate governance of the company; and to coordinate the plan for the succession of the chairperson.

#### **Article 12. Vice-chairperson**

1. The board necessarily must appoint a vice-chairperson, prior favourable report from the nomination and remuneration committee, who will replace the chairperson if unable to act or absent.
2. The board also may appoint other vice-chairpersons, in which case the described functions will fall on the first vice-chairperson, who in turn will be replaced if necessary by the second vice chairperson, and so on successively. If no vice-chairperson can act, responsibility will lie with the earliest-appointed director, and if there is more than one such director with the oldest thereof.

#### **Article 13. Secretary of the board**

1. The board of directors will elect a secretary, the appointment of which may be of one of its members or of a person not a member of the board, with capacity to perform the functions

inherent in that position. If the secretary of the board of directors is not a director, it will have voice but no vote.

2. When the secretary also holds the position as legal advisor, the person appointed must be a lawyer.
3. In addition to the authority given by law and the articles of association, the secretary of the board of directors will have the following functions:
  - (a) to maintain custody of the corporate documentation, duly reflect meetings in the minute books and certify the resolutions of the collective management bodies;
  - (b) to oversee the formal and substantive legality of the actions of the board of directors and its delegated bodies, verifying that they are consistent with the letter and spirit of the laws and the regulations thereof, including those approved by the regulatory agencies, as well as seeing to observance of the rules in the articles, this regulation, the meeting regulation and other internal rules and regulations of the Company, taking special care to ensure that, in its actions and decisions, the board follows the recommendations on good governance approved in Spain by the competent authority;
  - (c) to assist the chairperson to ensure that the directors receive the relevant information sufficiently in advance and in the appropriate format to be able to carry out their functions;
  - (d) to verify that the recommendations regarding corporate governance accepted by the Company are followed;
  - (e) generally to guide relationships of the Company with the directors in all matters related to the functioning of the board of directors, in accordance with the instructions of the chairperson;
  - (f) to process applications of the directors regarding information and documentation of such matters as are to be considered by the board of directors; and
  - (g) any others that may be attributed to it by the board of directors.
4. The secretary will be appointed and, if applicable, removed by the full board, in both cases after a report from the nomination and remuneration committee.

#### **Article 14. Vice-secretary of the board**

1. The board of directors, with the prior favourable report of the nomination and remuneration committee, may appoint a vice-secretary, which need not be a director, to assist the secretary of the board of directors or replace it if for any reason the secretary is absent.
2. When the assistant secretary also holds the position as legal advisor, the person appointed must be a lawyer.

#### **Article 15. Delegated bodies of the board of directors**

1. As provided in the articles of association, without prejudice to the delegations of authority, if any, made individually to the chairperson, the managing director or any other director, the board of directors may appoint an executive committee from among its members, and will be entitled to delegate to it, in whole or in part, on a temporary or permanent basis, all authority that is non-delegable according to the law or to the articles of association, with the limitations for internal purposes deriving from Article 5. If an executive committee is formed, the board will appoint its members, in such manner that

the structure of the various categories of directors participating is similar to that of the board itself, and the secretary thereof will be the secretary of the board.

2. The board of directors will appoint an audit and compliance committee and a nomination and remuneration committee from among its members. These committees will be governed by the provisions of law, the articles and this board of directors regulation. For matters not specifically contemplated therein, the operating rules established by this regulation regarding the board will apply, provided that they are consistent with the nature and function of the corresponding committee.
3. Also, the board of directors may establish other committees of directors, with such functions as it deems to be appropriate.

## **TITLE V. FUNCTIONING OF THE BOARD**

### **Article 16. Board meetings**

1. The board of directors will meet as often as deemed to be appropriate by the chairperson for the proper functioning of the Company and to adequately perform its tasks and, in any case, at least once a quarter.
2. The schedule of ordinary meetings will be fixed by the board of directors itself before the commencement of each financial year.
3. In any event, the board must necessarily meet within a maximum term of three (3) months after the close of the financial year, to prepare the financial statements, management report and proposal for application of profits.
4. The call of meetings will be made on each director by letter, fax, telegram or e-mail, and will be authorised by the signature of the chairperson or, if applicable, by the secretary or vice-secretary by order of the chairperson. The call will be sent a minimum of five (5) days in advance, except as regards urgent matters, for which the call will be by the chairperson forty-eight (48) hours in advance. Also, the call always will include the place, date and time for the holding of the meeting, and the agenda for the meeting, if applicable attaching such information as is deemed to be necessary. The agenda shall clearly indicate those points upon which the board must take a decision or reach agreement.
5. The board of directors will also meet when so requested by at least one third of its members, two (2) of the independent directors or the lead director, in which case it must be called by order of the chairperson or the lead director, as the case may be. Any director will be entitled to require the president to include certain matters in the call for any meeting of the board, without prejudice to the right of proposal corresponding to each director.
6. Furthermore, any directors representing at least one third of the members of the Board of Directors may call a board meeting, indicating the agenda, to be held in the city where the registered address is located if, further to the Chairperson's request, the latter is unable to call the meeting within a term of one month, without justified cause.
7. The lead director shall be specially empowered to request a call of the board of directors or the inclusion of points on the agenda of an already convened meeting when deemed to be appropriate.
8. Without prejudice to the foregoing, the board will be deemed to have been validly constituted, without need of call, when all directors are present or represented and

unanimously accept the holding of the meeting on a universal basis, and the matters to be dealt with at the meeting.

9. If no director objects, the board also may adopt written resolutions without need of holding a meeting, in accordance with the provisions of the Companies Act, the Commercial Registry Regulation and the articles of association, in which case the vote may be issued in writing or by e-mail, provided that the identity of the director issuing the vote is assured.
10. Technical experts, both internal to the Company and external, may attend meetings of the board as invitees, to provide assistance to the directors when so deemed necessary by the chairperson of the board of directors.

#### **Article 17. Place held**

1. The meetings of the board and its committees will be held at the registered office of the Company or at the place, within Spain or abroad, indicated in the call.
2. Notwithstanding the foregoing, meetings of the board and its committees may be held using remote means of communication if any of the members cannot attend the place fixed for the meeting in the call, provided that in the judgment of the chairperson there are no circumstances making that inadvisable.
3. Directors not physically attending the meeting that use means of communication allowing it to be held on a simultaneous and reciprocal basis with the place of the meeting and with the other members using remote means of communication will be considered to be in attendance for all purposes and may issue their votes by way of the means of communication used.

#### **Article 18. Conduct of meetings and adoption of resolutions**

1. In order for resolutions within the authority of the board of directors to be valid, it will be necessary for, at least, the majority of the board members to attend, either present or represented, at the meetings at which they are adopted.
2. Directors must attend meetings of the board, for which reason absence will be reduced to indispensable cases. When they cannot attend in person, they will arrange for special written proxies for each meeting to another member of the board, to the extent possible with instructions. Independent directors may only grant proxies to another independent director and outside directors may only grant proxies to another outside director. Proxies may be granted by any postal, electronic or fax mechanism, provided that the identity of the director and the sense of the instructions are assured.
3. The chairperson will organise the discussion, ensuring and encouraging the participation of all directors in the deliberations of the body.

When, due to the urgency of the matter, the chairperson submits decisions or agreements which are not included in the agenda to the board for approval, the express and prior consent of the majority of the directors present shall be required, and this must be duly reflected in the minutes.

4. The directors, and if applicable the secretary, must clearly state their opposition when they believe any proposed decision submitted to the board may be contrary to the corporate interest. They, in particular independent directors and other directors who are not affected by any conflict of interest, will also do so regarding decisions that may harm shareholders not represented on the board.

5. Except in cases in which the law or the articles of association specifically establish other voting majorities, resolutions will be adopted by absolute majority of the directors present at the meeting in person or by proxy. In the event of a tie, the chairperson will not have a casting vote.
6. The secretary will prepare minutes of meetings of the board of directors, which will be signed, at least, by the chairperson or vice-chairperson, if applicable, and the secretary or vice-secretary, if applicable. Minutes will be transcribed or inserted, as provided by law, in a special book of board minutes.
7. The minutes will be approved by the board of directors itself, at the end of the meeting or at the next following meeting, unless the immediacy of scheduling of the meetings does not so allow, in which case they will be approved at a later meeting.
8. To facilitate implementation of resolutions and, if applicable, attesting them as public documents, minutes may be partially approved, each of the approved parts including one or more resolutions.
9. When the directors or the secretary express concerns regarding any proposal or, in the case of directors, regarding the Company's performance, or regarding proposals that they consider to be contrary to the corporate interest or the interests of the shareholders not represented on the board, and such concerns are not resolved at the meeting, they on request of the one stating the concerns will be reflected in the minutes.

## **TITLE VI. APPOINTMENT AND REMOVAL OF DIRECTORS**

### **Article 19. Appointment of directors**

1. Directors will be appointed by the general meeting or the board of directors, in accordance with the provisions in the Companies Act and the articles of association.
2. Proposals for the appointment and re-election of directors submitted by the board of directors for consideration of the general meeting and the appointment resolutions adopted by that body by virtue of the co-option authority legally attributed to it shall, in all cases, be subject to the selection policies for directors which the board has approved at any time and must be preceded by:
  - (a) the corresponding proposal of the nomination and remuneration committee, in the case of independent directors; and
  - (b) the report of the nomination and remuneration committee, in the case of other directors.
3. The proposal referred to in section 2 (a) above must, in all cases, be accompanied by a report issued by the board of directors justifying the decision and evaluating the competence, experience and merit of the candidate proposed, which shall be attached to the minutes of the general meeting or of the board.
4. When the board departs from the proposals of the nomination and remuneration committee it must state the reasons for so acting in the minutes.
5. The Company will provide the assistance necessary in order for the new directors to rapidly acquire sufficient knowledge of the Company, and its corporate governance rules, for that purpose being entitled to establish orientation programmes. Similarly, it will also offer directors refresher courses when circumstances make that advisable.

6. Directors may not be appointed if, in addition to the board of the Company, they are members of more than six (6) boards of directors of commercial companies. For these purposes, boards of which a director is a member as a proprietary director proposed by the Company or by any company in its group, and those not involving actually engaging in a commercial business, will not be taken into account.
7. The board will see to it that procedures for selection of directors promote diversity of gender, experience and knowledge and that they do not suffer from implicit bias making selection of female directors difficult, ensuring that the Company deliberately seeks and includes women meeting the professional profile sought as potential candidates.
8. When a member of the board of directors is appointed to the office of managing director or is given executive functions by virtue of any other title, a contract must be signed between that director and the Company, which must previously be approved by favourable vote of two thirds of the members of the board. The director involved shall abstain from attending the deliberations and from voting. The approved contract shall be incorporated as an annex to the minutes of the meeting.

#### **Article 20. Appointment of outside directors**

1. The board of directors (and the nomination and remuneration committee within the scope of its authority), will see to it that the proposals of candidates sent to the general meeting for appointment as directors, and appointments made directly to fill vacancies in exercise of their authority to do so, are of honourable, suitable persons of recognised solvency, competence and experience, exerting particular effort regarding those called to fill positions as independent directors as contemplated in article 10 of this regulation.
2. Independent directors are those appointed for their personal or professional qualities who are in a position to perform their duties without being influenced by any connection with the Company or its group, its shareholders and its management.
3. In particular, the following may not be proposed or appointed as independent directors:
  - (a) former employees or inside directors of group companies, unless three (3) or five (5) years have elapsed, respectively, from the end of the relationship;
  - (b) those who have received some payment or other form of compensation from the Company or its group in addition to their directors' fees, unless the amount involved is not significant for the director.

Dividends or pension supplements received by a director for prior employment or professional services will not count for the purposes of that section, provided such supplements are non contingent, i.e. the paying company has no discretionary power to suspend, modify or revoke their payment, and by doing so would be in breach of its obligations;

- (c) those who are or within the past three (3) years have been partners in the external auditor or the firm responsible for the audit report, during the said period, of the Company or any other company in its group.
- (d) inside directors or senior managers of another company where any inside director or member of the management team of the Company is an outside director;
- (e) those having material business dealings with the Company or any company in its group or who have had such dealings in the preceding year, either on their own account or as the significant shareholder, director or senior manager of a company that has or has had such dealings.

Business dealings are the provision of goods or services, including financial services, as well as advisory or consultancy relationships;

- (f) significant shareholders, inside directors or senior managers of an entity that receives donations from the Company or its group, or has done so in the past three (3) years.

This provision will not apply to those who are merely trustees of a foundation receiving donations;

- (g) spouses, partners maintaining an analogous affective relationship or close relatives (*parientes hasta de segundo grado*) of an inside director or member of the management team of the Company;
- (h) any person not proposed for appointment or reappointment by the nomination and remuneration committee;
- (i) persons who have been directors of the Company for a period greater than twelve (12) years, in accordance with this regulation;
- (j) those in any of the situations listed in (a), (e), (f) or (g) of this section in relation to a significant shareholder or a shareholder with board representation. In the case of the family relationships indicated in (g), the limitation will apply not only in connection with the shareholder but also with his proprietary directors in the investee company. Proprietary directors disqualified as such and required to resign due to the sale of shares by the shareholder they represented, may only be re-elected as independent directors once that shareholder has sold all of its shares in the Company.
- (k) A director with shares in the Company may qualify as independent, provided he meets all the conditions stated in this section and the holding in question is not significant in the sense of the applicable regulations.

#### **Article 21. Term of office**

1. The directors will serve during the term contemplated in the articles, for so long as the general meeting does not resolve to remove them and they do not resign their positions.
2. Directors may be re-elected one or more times for periods of the same duration. In the case of independent directors, they may be re-elected provided that they do not remain as such for a continuous term of more than twelve (12) years.
3. Such vacancies as may occur may be filled by the board of directors by co-option, in accordance with law, on an interim basis until the first general shareholders meeting held thereafter, which may confirm the appointments, elect the persons that are to replace directors that are not ratified or eliminate the vacant positions.
4. The appointment of directors will lapse when, the term having concluded, the following general meeting has been held or the legal term for holding the meeting that is to resolve on approval of the accounts for the preceding financial year has passed.

#### **Article 22. Resignation and removal of directors**

1. Directors will cease to act as such when the term for which they were appointed has elapsed, when so resolved by the general meeting in exercise of the authority corresponding to it and when they resign.
2. Directors will place their directorships at the disposal of the board of directors and formally tender their resignations, if the Board deems it to be desirable, in the following circumstances:

- (a) when they are affected by any of the circumstances of disqualification or prohibition contemplated in provisions of a general nature and the articles of association;
  - (b) when by reason of facts attributable to the director in his/her capacity as such there has been serious damage to the credit and reputation of the Company, or he/she loses the commercial and professional honour necessary to be a director of the Company;
  - (c) when they cease to serve in the management positions with which, if applicable, their appointment as directors was associated;
  - (d) when they are tried (*encausados*) for alleged criminal offenses or subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities; and
  - (e) when remaining on the board could endanger the interests of the Company or the reasons for which they were appointed disappear; in particular, in the case of proprietary outside directors, when the shareholder they represent sells or transfers all or a part of its interest in a manner that results in its losing status as a significant shareholder or shareholder with an interest sufficient to justify the appointment.
3. In any of the cases indicated in the preceding section, the board of directors, in light of the specific circumstances, may require that the director resign the position and, if applicable, propose the director's removal to the general meeting. Without prejudice to notice of the removal as a material disclosure, the board will state the reason for the removal in the annual corporate governance report.
  4. The directors affected by proposed removals will refrain from participating in deliberations and votes dealing with them.
  5. The board of directors may only propose removal of an independent director prior to the end of the articles term when there is just cause, found by the board of directors after a report from the nomination and remuneration committee. In particular, it shall be considered that there is just cause when the director occupies new office or undertakes new obligations which prevent him from devoting the time necessary to the performance of the functions of the office of director, is in breach of the duties inherent to the position, or is in any of the situations which form grounds for losing the status of independent director. Such removal may also be proposed as a result of public tender offers, mergers or other similar corporate transactions resulting in a significant change in the capital structure of the Company, when said changes in the structure of the board are propitiated by the criteria of proportionality mentioned in article 10.2 of this regulation.
  6. When a director leaves office before the end of the term, by resignation or otherwise, the director must explain the reasons therefore in a letter to be sent to all members of the board. The reasons given therein shall be mentioned in the annual report on corporate governance.

## **TITLE VII. DIRECTOR INFORMATION**

### **Article 23. Rights of information and examination**

1. A director has a duty diligently to keep abreast of the progress of the Company. For that purpose, the director may request information regarding any aspect of the Company, and examine its books, records, documents and other documentation. The right of information extends to investee companies if possible.

2. Exercise of the right of information will first be channelled through the chairperson of the board of directors, which will forward the request to the appropriate spokesman for the Company. If, in the judgment of the chairperson, the information is confidential, it will advise the requesting and receiving director of that circumstance and the duty of confidentiality, in accordance with the provisions of law and this regulation.

**Article 24. Expert assistance**

1. In order to be assisted in the performance of their duties, outside directors may request the engagement, at the expense of the Company, of legal, accounting, technical, commercial, financial and other expert advisors. Such advice must necessarily relate to specific problems of a degree importance and complexity that arise in the discharge of the directors' duties.
2. The request to engage the advisor will be channelled through the chairperson of the board of directors of the Company, which may subject it to prior authorisation of the board of directors, which may be denied when there are reasons so justifying, including the following circumstances:
  - (a) it is not necessary for the proper performance of the functions entrusted to the outside directors;
  - (b) the cost thereof is not reasonable in view of the importance of the problem and the assets and income of the Company;
  - (c) the technical assistance sought may be adequately provided by experts and technicians of the Company; or
  - (d) it may result in a risk to the confidentiality of the information that is to be provided to the expert.

**TITLE VIII. DIRECTOR DUTIES**

**Article 25. General obligations**

1. In the performance of their duties, directors will act in good faith and with the diligence of an organised businessman and the loyalty of a faithful representative, carrying out their responsibilities always in the best interests of the Company. The standard of diligence of an organised businessman shall be understood to have been fulfilled when the director has acted in good faith, without personal interest in the matter under decision, with sufficient information and in accordance with an appropriate decision-making procedure.
2. Without prejudice to the obligation to fulfil the duties imposed by the Companies Act and the articles of association, a director in particular is required:
  - (a) to prepare adequately for meetings of the board and, if applicable, the delegated bodies to which the director belongs, being required diligently to keep abreast of the progress of the Company and the matters to be dealt with at those meetings;
  - (b) to attend the meetings of the board of directors and actively participate in the deliberations, in order for the director's views to effectively contribute to the process of decision making. If a director, for just cause, cannot attend a board meeting that has been called, the director must give instructions to a director to represent him;
  - (c) to perform any specific task assigned to him by the board of directors or any of its delegated and/or consultative bodies that is reasonably within his time commitment;

- (d) to notify the board or the competent body of the Company of any irregularities in management of the company that have come to his attention;
- (e) to ask those having authority to do so to call an extraordinary meeting of the board to deal with the matters he/she deems to be appropriate, or include them on the agenda of the next meeting to be held;
- (f) to oppose resolutions contrary to law, the articles or the corporate interest, to request recording in the minutes of his/her position when he/she believes it to be more appropriate to the protection of the corporate interest and to challenge, if appropriate, such resolutions; and
- (g) to contribute his/her strategic vision and innovative ideas, judgment and resources for an optimum development and evolution of the Company's business.

**Article 26. Duty of confidentiality and private information**

1. A director, even after ceasing to serve as such, will maintain secrecy regarding the deliberations of the board of directors and the delegated bodies of which he/she is a part and, in general, will refrain from disclosing information, data, reports or background to which he/she has had access while serving as a director, even when he/she no longer serves as such, or using them for his/her own benefit or that of any third party when that could have consequences harmful to the corporate interest.
2. An exception to the duties referred to in this article is made for those circumstances in which the law permits communication or disclosure to third parties or, if applicable, when the information is required by or must be submitted to the respective supervisory authorities, in which case the disclosure must comply with the applicable legal provisions.
3. Without prejudice to the obligations of directors regarding inside information of the Company on the terms referred to in the securities market legislation, the directors will refrain from using any private information for their own benefit or that of third parties.

**Article 27. Non-compete obligation**

1. A director may not, on his/her own behalf or on behalf of another, directly or indirectly, engage in any activity constituting direct and effective competition, whether real or potential, with the Company's business or which, in any other way, puts him/her in a situation of permanent conflict with the interests of the Company. The functions and positions that may be held by the Company in subsidiaries or investee companies are excepted.
2. The non-compete obligation contemplated in the preceding section may be waived by the Company, by resolution of the general meeting on proposal of the board of directors, when, based on the circumstances, it is not foreseen that any damage may result to the Company or when any damage which is foreseeable can be expected to be compensated by the benefits that may be obtained from the waiver. Any waiver will require a prior report of the audit and compliance committee.
3. For these purposes, directors must give notice of the direct or indirect interests they hold in another company with a business that is the same as, analogous to or complementary to the business that constitutes the corporate purpose and also must give notice of the positions or functions held or exercised therein, as well as engaging in a business, on their own behalf or on behalf of another, which is the same as, analogous to or complementary to the business that constitutes the purpose of the Company. This information will be included in the annual corporate governance report and in the notes to the financial

statements.

**Article 28. Conflict of interest**

1. A conflict of interest will be deemed to exist in those situations in which the interest of the Company or the companies in its group is in direct conflict with the personal interest of the director. There is a personal interest of a director when the matter affects him/her or a related person.
2. For purposes of this regulation persons related to directors are those treated as such under current article 231 of the Companies Act.
3. Without prejudice to the provisions regarding the duty to avoid situations of conflict of interest established by law, conflict of interest will be governed by the following rules:
  - (a) A director will avoid situations that could result in a conflict of interest between the Company and the director or related persons.
  - (b) In any event, a director will, upon learning thereof, advise the board of directors of the existence of conflicts of interest.
  - (c) In any event, a director must refrain from attending and participating in the deliberations and votes affecting matters in which the director is personally interested. In this regard, the votes of the directors affected by the conflict that are to refrain from voting will be subtracted for purposes of computation of the necessary voting majority.
  - (d) In any event, all conflicts of interest involving directors will be disclosed in the annual corporate governance report and in the notes to the financial statements.
4. The above obligation to abstain shall not be applicable in the case of agreements or decisions which affect his/her status as a director, such as his/her appointment to or removal from office on the administration body of the company or other similar bodies.
5. A director may not directly or indirectly undertake professional or commercial transactions with the Company, absent prior disclosure of the conflict of interest situation and board of directors' approval of the transaction, after a report from the audit and compliance committee.

**Article 29. Use of corporate assets**

1. Directors may not use the assets of the Company, including the confidential information of the Company, or use their position in the Company to obtain an economic advantage, unless appropriate compensation is paid.
2. By way of exception, a director may be exempted from the obligation to give consideration, but in this case the economic advantage will be treated as indirect compensation and must be authorised by the board, with a prior report of the nomination and remuneration committee. If the advantage is received in the director's capacity as a shareholder, it will only be allowed if the principle of equality of shareholders is respected.

The authorisation may be granted provided that the independence of the members who grant same is guaranteed with respect to the exempted director. Furthermore, it shall be necessary to ensure that the operation authorised does not affect the company's assets or, if applicable, their realisation under market conditions and the transparency of the process.

### **Article 30. Business opportunities**

1. A director may not, on his/her own behalf or on behalf of related persons, take advantage of a business opportunity of the Company within the ordinary course of its business, unless the investment or transaction has previously been offered to the Company, the Company has declined participation therein without influence of the director, and the director's taking advantage of the transaction was authorised by the board or the general meeting, as the case may be, after a report from the audit and compliance committee.
2. For purposes of the preceding section, a business opportunity is any possibility of making an investment or engaging in a commercial transaction that has arisen or been discovered in connection with the exercise of the director's duties, or through the use of Company resources and information, or under circumstances making it reasonable to believe that the offer of the third party in fact was addressed to the Company.
3. Also, a director must refrain from using the name of the Company and invoking his/her status as a director the Company when engaging in transactions on his/her own behalf or on behalf of related persons.

### **Article 31. Indirect transactions**

A director violates his/her duty of loyalty to the Company if, with prior knowledge, he/she allows or does not disclose the existence of transactions undertaken by related persons that have not been submitted to the conditions and controls contemplated in the preceding Articles.

### **Article 32. Reporting duties**

1. A director must advise the Company of the shares thereof of which he/she is the owner, directly or indirectly through related persons, all of the foregoing in accordance with the provisions of the internal code of conduct for matters related to the securities markets.
2. A director also must advise the Company of the positions he/she holds and activities he/she undertakes in other companies and, in general, of his/her other professional obligations, and of any fact or circumstance that could interfere with the required dedication or be relevant to his/her acting as an administrator of the Company.
3. A director must advise the Company of such circumstances as affect him/her and may harm the credit or reputation of the Company, in particular of criminal actions in which the director appears as an accused (*investigado*), and significant procedural developments therein, and the board shall report all of the above in the annual report on corporate governance. After examining the situation, the board may require that the director present his/her resignation, which decision must be respected by the director.
4. A director must provide the Company with an e-mail address and mobile telephone number so that meetings of the board of directors may be called by these means, if so desired, and the corresponding information may be provided to him/her.

## **TITLE IX. DIRECTOR COMPENSATION**

### **Article 33. Director compensation**

1. The members of the board of directors shall receive, as directors, compensation under the articles of association whose maximum annual amount for the board of directors as a whole shall be determined by the general meeting. This compensation of directors will consist of a fixed monthly stipend and per diems for attending meetings of the board of directors and its committees. The maximum amount of compensation to be paid by the

Company to its directors for these items will be the amount determined for that purpose by the general shareholders meeting, which will remain in effect until an amending resolution.

2. The board of directors, within the maximum set by the general shareholders meeting, will fix, each financial year, the specific amount to be received by each of the directors, taking into account the duties and responsibilities conferred on each director and any other objective circumstance that the board may deem relevant, including, among others:
  - (a) the director's membership or lack of membership on a delegated body of the board,
  - (b) the positions the director occupies therein or, in general,
  - (c) the director's dedication to administration tasks or service to the Company.
3. The compensation of the directors shall, in all cases, be reasonably proportionate to the importance of the Company, the economic situation at any given time and the market standards of comparable companies. The compensation system established shall be oriented towards promoting the long-term profitability and sustainability of the -company and it shall incorporate the checks necessary to avoid excessive risks and reward for unfavourable results.
4. The compensation deriving from membership on the board of directors, will be compatible with and independent from other professional or employment compensation as may correspond to the directors for the performance of management work or for advice other than the group supervision and decision-making inherent in their capacities as directors, which will be subject to the applicable legal scheme.
5. Inside directors, for the performance of executive functions delegated to them or entrusted to them by the board of directors, shall receive the compensation that the board determines. This compensation shall comply with the director compensation policy approved by the general meeting and it shall be reflected in the corresponding contract to be signed between the director and the Company, within the framework of the compensation policy.

In particular, and not as a limitation, the compensation foreseen in this section, subjected to the aforementioned remuneration policy, may consist of fixed salaries, variable compensations (depending on the achievement of corporate objectives and/or individual performance), dismissal compensations for reasons other than the noncompliance of duties, pensions, insurances, welfare systems, deferred remuneration concepts and compensation formulas in the form of shares or options thereon or indexed to the value of the shares, set forth for those members of the board of directors who perform executive duties.

6. Inside or executive directors may be compensated with the delivery of shares of the Company or another group company to which they belong, options thereon or instruments or any other compensation indexed to their value. All other directors may be compensated by means of the award of shares, provided that they undertake to hold the shares until expiration of their office (this rule will not be applicable to the shares which the directors need to transfer, as the case may be, to pay any costs related to their acquisition.

When referring to shares of the Company or instruments indexed to the price thereof, the compensation must be resolved by the general shareholders meeting. The resolution will state, if applicable, the maximum number of shares to be delivered, the price of exercise of

the option rights or the system for calculating said price, the value of the shares, if appropriate, taken as a reference and the duration of the plan.

Ownership of shares and the ability to exercise stock options and rights of acquisitions of shares or compensation based on changes in the prices thereof will be subject to predetermined and measurable performance criteria.

Once the shares or the options or rights over shares corresponding to the compensation systems have been attributed, the directors may not transfer ownership of a number of shares equivalent to twice their fixed annual compensation, nor may they exercise the options or rights until a minimum period of, at least, three years has elapsed since they were awarded. The above shall not be applicable (a) to the shares, if any, which the director needs to sell to cover the costs related to their acquisition (b) to any plans related to the delivery of shares, share options or instruments indexed to their value which may be in place at the time this provision enters into force .

7. Compensation of inside directors may also include variable compensation tied to profitability of the Company or personal performance.

The fixed element of compensation must be sufficient so that the Company may retain the variable components if the director does not meet the performance criteria that have been established.

For any possible variable compensation, it must be ensured that such compensation bears a relationship to the professional performance of the beneficiaries, and does not derive simply from a general trend in the markets or the Company's business sector, or other similar circumstances. Specifically, the variable components of compensation must:

- (a) be tied to predetermined and measurable performance criteria and said criteria must take into account the risk taken in order to obtain a result;
- (b) promote the sustainability of the Company and include non- financial criteria which are appropriate for the creation of long-term value, such as compliance with standards and procedures, and the policies for risk control and management;
- (c) be configured on the basis of a balance between the achievement of short, medium and long-term objectives which allows compensation for continued performance over a sufficient period of time to be able to appreciate the contribution to the sustainable creation of value, in such a way that the elements for the measurement of this performance do not revolve only around one-off, occasional or extraordinary events;
- (d) a relevant percentage of the variable compensation must be linked to the grant of shares in the Company, of options over same or instruments indexed to their stock market value;
- (e) when paid, a significant part will be deferred for a minimum period of time, in order to determine whether the established performance conditions have been satisfied;
- (f) part of the compensation subject to the deferred payment will be determined based on the relative weight of the variable component by comparison with the fixed component of compensation; and
- (g) regarding contractual arrangements entered into with directors, include a clause allowing the Company to claim repayment of the variable components of compensation when the payment is not in accordance with those performance

conditions, or when the compensation has been paid based on information the inaccuracy of which is later manifestly demonstrated.

8. Payments for termination of contract will not exceed an established amount equivalent to two (2) years of the total annual compensation and will not be paid when termination of the contract is based on inadequate performance or until the Company has been able to confirm that the director has met the pre-established performance criteria.
9. Regarding outside directors, the board will adopt all measures available to ensure that their compensation, including the part, if any, they receive as members of committees, is in accordance with the following criteria:
  - (a) an outside director will be compensated based on actual time commitment, qualification and responsibility;
  - (b) the amount of an outside director's compensation should be calculated in a manner that offers incentives for the director's commitment, but does not constitute an obstacle to his application of independent criteria; and
  - (c) an outside director must be excluded from compensation by way of delivery of shares, stock options or instruments indexed to the share value, as well as the pension schemes financed by the Company for cases of dismissal, death or any other. The foregoing limitation will not apply to compensation by way of delivery of shares, when it is conditioned on the outside directors holding the shares until they cease to be directors.
10. Directors will be entitled to payment of their justified travel expenses incurred to attend meetings of the board of directors or its committees.
11. The Company may secure civil liability insurance for its directors.
12. The compensation of outside directors and inside directors will be stated in the notes to the financial statements, broken down by each director.
13. Together with the annual corporate governance report, the board of directors must prepare and disclose an annual report on directors' compensation, which is to include complete, clear and comprehensible information regarding the Company's compensation policy, approved by the board for the year in course and, if applicable, the policy contemplated for future years. It also will include an overall summary of how the compensation policy was applied during the financial year, and details of the individual compensation earned by each of the directors.

This report is to be publicly disclosed and submitted to vote on a consultative basis and as a separate point of the agenda by the ordinary general shareholders meeting.
14. The Company will encourage all shareholders and, in particular, institutional shareholders to attend general meetings and prudently exercise their votes therein when dealing with compensation of the directors.

## **TITLE X. BOARD RELATIONSHIPS**

### **Article 34. Relationships with shareholders**

1. The board of directors at any time may request from the entity responsible for book entries the information necessary for identification of the shareholders of the Company, including the addresses and means of contacting them, to allow communication therewith.

To this end, the directors must be periodically informed of changes in the ownership of shares and of the opinion of significant shareholders, investors and credit rating agencies of the Company and its group.

2. The board of directors will decide the appropriate channels for receiving proposals from shareholders related to the management of the Company.
3. The board, through some of its directors and with the cooperation of such members of the management team as it deems to be appropriate, may organise informational meetings regarding the progress of the Company and its group or other matters of interest to the shareholders residing in the locations of the most significant financial markets, in Spain and abroad. In its relationships with shareholders, the board of directors will guarantee equal treatment, simultaneously providing the presentations used in the informational meetings to the CNMV, and publishing them on the Company's website.
4. The board of directors also will establish appropriate mechanisms for regular interchange of information with institutional investors holding shares of the Company. In no case may the relationships between the board of directors and those shareholders result in delivery thereto of any information that could give them a privileged or advantageous status by reference to the other shareholders.
5. The board of directors will promote informed participation by shareholders in general meetings and will take appropriate measures to enable the general shareholders meeting effectively to exercise the functions assigned to it by law and the articles of association.

In particular, the board of directors will adopt the following measures:

- (a) it will devote itself to making available to the shareholders, prior to the meeting, all information that is legally required and all such information as, without being legally required, may be of interest and reasonably provided;
- (b) it will respond with the greatest diligence to requests for information presented to it by shareholders prior to the meeting;
- (c) it will, with the same diligence, respond to questions stated by shareholders at the time of holding the meeting; and
- (d) it will see to it that the matters proposed to the meeting are voted on in an organised and separate manner, allowing the shareholders to participate by stating their opinions regarding each of the questions submitted to vote.

### **Article 35. Relationships with markets**

1. The board of directors, by way of material disclosures to the CNMV and on the corporate website, will advise the public as soon as possible of all inside information, on the terms established in the securities market legislation.

In particular, the board of directors will advise the public as soon as possible regarding:

- (a) material disclosures capable of significantly influencing the establishment of market prices for the securities issued by the Company;
- (b) material changes in the rules of governance of the Company;
- (c) changes in the composition, rules of organisation and functioning of the board and its committees, or in the functions and positions of each director within the Company, as well as any other material change in the system of corporate governance.

2. The board of directors will adopt the measures necessary to ensure that semi-annual, quarterly and any other financial information that is disclosed to the markets is prepared in accordance with the same professional practices, principles and policies as the annual financial statements and is equally reliable.
3. The reporting obligations will be fulfilled by using any technical, computer or remote resource, without prejudice to the rights of the shareholder to request printed information.

**Article 36. Relationships with the outside auditor**

1. The board of directors will establish an objective, professional and ongoing relationship with the Company's outside auditor, respecting its independence to the maximum extent.
2. The relationships referred to under the preceding number normally will be channelled through the audit and compliance committee.
3. The board of directors will publicly report the overall fees paid by the Company to the audit firm, for both audit services and other services.
4. The board of directors will arrange for definitive preparation of the financial statements in a manner that will not result in qualifications by the auditor. However, when the board concludes that its position should be maintained, it will publicly explain the substance and scope of the disagreement.

**TITLE XI. BOARD COMMITTEES**

**Article 37. The executive committee**

1. The board of directors may appoint an executive committee from among its members, of which the chairperson and the chief executive officer or managing director, if any, will be a part.
2. In the absence of a specific rule, the provisions of this regulation related to the functioning of the board of directors and, in particular, regarding the call of meetings, proxies in favour of other directors, constitution, universal meetings, scheme for adoption of resolutions and written votes without the holding of the meeting will be applicable to the executive committee, to the extent not incompatible with its nature.
3. The powers of this committee will be those that, from time to time, are delegated to it by the board within the limits of law, the articles of association and this regulation.
4. If an executive committee is appointed, it will be required to report to the board regarding the principal matters considered and the decisions in respect thereof at its meetings.
5. The chairperson and secretary of the executive committee will be those that in turn are chairperson and secretary of the board of directors. The structure of participation of the various categories of directors will be similar to that of the board itself.

**Article 38. Audit and compliance committee**

1. The board of directors will establish an audit and compliance committee, of a permanent nature, which will be comprised of a minimum of three (3) directors and a maximum of five (5), appointed by the board of directors itself from among its outside directors. In this regard, the majority of the members of the audit and compliance committee will be independent.
2. The members of the audit and compliance committee, particularly its chairperson, will be

appointed on the basis of their knowledge and background in accounting, auditing or risk management matters. For these purposes, the board will take into consideration the knowledge and professional experience acquired as a result of the performance of responsibilities related to this matters, as well as the knowledge and experience due to the performance of management and executive roles and responsibilities with could be related to these issues in a significant way (such as chief executive officers or senior managers with supervisory and management responsibilities in accounting, financial or risk areas, etc.).

3. Without prejudice to such other tasks as may be assigned to it from time to time by the board of directors, the audit and compliance committee in any event will have the following authority:
  - (i) reporting to the general shareholders meeting in relation to issues within the scope of its responsibilities and, in particular, in relation to the result of the auditing, explaining how it has contributed to the integrity of the financial information and the role the committee has played therein;
  - (ii) supervising and reviewing the process of preparation and presentation of the required financial information that, in accordance with the Securities Market Act and its development regulations, shall be provided by the board to the markets and their supervisory bodies, and, in general, ensure compliance with the legal requirements in this area, the appropriate delimitation of the scope of consolidation and the proper application of generally accepted accounting principles, reporting on proposals for changes in accounting principles and standards suggested by management; and submitting recommendations or proposals to the board of directors, seeking to safeguard its integrity;
  - (iii) periodically supervising and reviewing the effectiveness of the Company's internal control and financial and non-financial risk management systems, including fiscal risks, verifying the appropriateness and completeness thereof and proposing the selection, appointment, re-election and removal of the responsible therefor; proposing the budget for such services, approving the orientation and the working plans of same, ensuring that the activity is focused mainly on risks relevant to the Company, and verifying that the members of the management team take account of the conclusions and recommendations in its reports; and discussing with the Company's auditors such significant weaknesses in the internal control system as may be discovered in the conduct of the audit, without breaching their independence. To this end, and if appropriate, it may submit recommendations or proposals to the board of directors and suggest the corresponding period for its monitoring;
  - (iv) coordinating the process for the reporting of non-financial and diversity information, in accordance with applicable regulations and international reference standards;
  - (v) ensuring the independence of the unit which undertakes the internal audit; proposing the selection, appointment, re-election and dismissal of the person responsible for the internal audit service; proposing the budget for said service; approving the orientation and the working plans of same, ensuring that its activity is focused mainly on risks relevant to the company; receiving periodical information about its activities; and verifying that the senior management take into account the conclusions and recommendations of its reports;

- (vi) submitting to the board of directors proposals for the selection, appointment, re-election and substitution of the account auditors, taking responsibility for the selection process, as well as the conditions for hiring them and regularly gathering information from them about the auditing plan and its execution, and preserving their independence in the exercise of their duties;
- (vii) requesting from the court the removal of the auditor or auditors, or auditing company or companies, appointed by the general meeting or by the Commercial Registry and the appointment of any of the abovementioned, if there are just grounds for doing so.
- (viii) establishing the appropriate relationships with the outside auditors and to receive information regarding such questions that may compromise their independence, for examination by the committee, and those of anyone else involved in the process of auditing accounts, and, where applicable, the authorisation of services other than those prohibited by the applicable rules, and such other communications as may be contemplated in the legislation regarding auditing and audit standards.

In any event, they must receive from the outside auditors an annual declaration of their independence of the entity or entities directly or indirectly related to this one, and detailed and individual information on additional services of any kind provided to these entities and the corresponding fees received by the aforesaid outside auditors or by persons or entities related thereto, in accordance with the provisions of the legislation governing the auditing of accounts.

In the event of resignation of the outside auditor, the committee shall examine the circumstances leading to said resignation. It shall ensure that the Company communicates the change of auditor as a relevant fact to the CNMV and accompanies said notification with a declaration regarding the possible existence of disagreement with the outgoing auditor and, if any, the content of such disagreement;

- (ix) annually, prior to the issue of the audit report, issuing a report stating an opinion regarding whether the independence of the auditors or the auditing companies is compromised. This report must comprise, in any event, the reasoned assessment of the provision of each of the additional services referred to in the point above, individually and globally considered, different from the legal audit and in relation to the independence system or the legal provisions on the activity of auditing;
- (x) serving as a communications channel between the board of directors and the auditors; evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter in relation to the principles and criteria applicable in the preparation of the Financial statements, and examining the circumstances, if any, underlying resignation of the auditor.

The committee shall ensure that the outside auditor holds a meeting annually with the entire board of directors in order to inform it of the work done and the evolution of the accounting situation and the risks facing the company;

- (xi) prior report to the board regarding any matters foreseen by law, the articles of association, the board of directors regulations, and, in particular, on:
  - the financial information that the Company must periodically disclosed,

- the creation or acquisition of shares in entities with special purposes or domiciled in countries or territories that are considered as tax havens;
  - (xii) supervising compliance with the rules regarding related party transactions with directors or major shareholders or shareholders represented on the board; in particular, it will report to the board regarding such related party transactions and, in general, regarding transactions that imply or may imply conflicts of interest, for purposes of their approval, and will see to it that information in respect thereof is communicated to the market as required by law;
  - (xiii) supervising compliance with internal codes of conduct, in particular the code of conduct for the securities market;
  - (xiv) reviewing the corporate social responsibility policy, ensuring that it is oriented towards the creation of value and monitoring the strategy and practices of corporate social responsibility and evaluating the degree of fulfilment;
  - (xv) supervising the communication strategy and relations with shareholders, investors (including small and medium shareholders) and other stakeholders;
  - (xvi) establishing an internal mechanism whereby staff can report, confidentially and, if appropriate, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the Company;
  - (xvii) preparing and updating a declaration of ethical values related to the reliability of financial information in compliance with applicable regulations, which will be approved by the board of directors and communicated to all levels within the organisation;
  - (xviii) establishing procedures to monitor respect for principles of professional integrity and ethics, and measures to identify and correct departures from those values within the organisation;
  - (xix) the committee shall be informed of operations planned by the Company which produce structural or corporate modifications for their analysis and for a prior report to the board of directors on their economic conditions, their accounting effect and, especially, on the exchange ratio proposed, if any; and
  - (xx) any such others as may be attributed to it by law and other regulations applicable to the Company.
4. The audit and compliance committee will be called by the chairperson of the committee, on his own initiative, or on request of the chairperson of the board of directors or two members of the committee itself. The call will be sent by letter, telegram, fax, e-mail, or in any other manner allowing evidence of receipt.
  5. In any event the audit and compliance committee will be called and will meet, at a minimum, on a quarterly basis, to review the periodic financial information that, in accordance with articles 118, 119 and 120 of the Securities Market Act, the board must send to the market supervisory authorities as well as the information the board of directors is to approve and include within its annual public documentation.
  6. The chairperson of the audit and compliance committee will be appointed from among the independent directors, members of the committee.
  7. The chairperson must be replaced every four (4) years, and may be re-elected after a term

of one (1) year elapses since he left office.

8. Also, the committee will appoint a secretary and may appoint a vice-secretary, neither being required to be a member thereof. If these appointments are not made, those holding those positions on the board will act as such.
9. The audit and compliance committee may validly meet when a majority of its members attend the meeting in person or by proxy. Resolutions will be passed by a majority of the members in attendance, in person or by proxy.
10. Minutes will be prepared of the resolutions adopted at each meeting, which will be reported to the full board, sending or delivering a copy of the minutes to all members thereof.
11. The audit and compliance committee shall promote the existence of a unit to undertake the function of internal auditing which shall ensure the proper operation of the information and internal control systems and which would depend functionally on the non-executive chairperson of the board or the of the audit committee. This unit shall submit its annual working plan to the audit committee and shall report directly the incidences which occur in its implementation and, at the end of each financial year, it shall make a report on its activities.
12. The audit and compliance committee will prepare an annual report of its actions, highlighting the principal incidents, if any, that have arisen in respect of matters within its competence. In addition, when the audit and compliance committee deems it to be appropriate, it is to include proposals for improvement of the company's governance rules in the report.
13. When so requested by the committee, the members of the management team and the employees of the company are required to attend meetings of the audit and compliance committee and cooperate with it and give it access to the information available to them. The committee may also require the Company's auditors to attend its meetings.
14. When it deems it to be necessary for appropriate fulfilment of its duties, the audit and compliance committee may seek the advice of outside experts, making this circumstance known to the secretary or vice-secretary of the board, who will take responsibility for contracting for the corresponding services.
15. In the absence of a specific rule, to the extent that it is not incompatible with its nature, the provisions of this regulation regarding the functioning of the board of directors will be applicable to the audit and compliance committee.

#### **Article 38bis. Strategy committee**

1. The board of directors may establish a strategy committee which will be comprised of a minimum of three (3) directors and a maximum of five (5), from which the majority will be independent or "other external directors". The members of the strategy committee will be appointed by the board of directors.
2. The board of directors will appoint a chairperson from among the members of the strategy committee, who will be an "independent" director in any event, and the secretary will be the secretary to the board or, in his/her absence, the person appointed by the committee itself (the secretary is not required to be a member thereof).
3. The members of the strategy committee shall have appropriate knowledge, skills and experience to the tasks they are called upon to perform.

4. Without prejudice to such other tasks as may be assigned to it from time to time by the board of directors or its chairperson, the strategy committee will have, in any event, the following authorities:
  - (i) Assessing and proposing to the board of directors medium- and long-term strategic lines for DIA Group.
  - (ii) Advising, informing and providing support to the board of directors within the periodic monitoring of the DIA Group's strategy implementation, continuously assessing, among other aspects, whether it conforms to its business sector, the conditions and challenges faced by the markets in which it should operate, the applicable regulatory framework and the Group's resources, abilities, and development and growth potential.
  - (iii) Assessing the appropriateness and, where applicable, proposing new investments and divestments and development plans or restructuring processes which are of a strategic nature.
  - (iv) Facilitating collaboration and coordination with the group management in all the above matters..
5. The strategy committee will meet with the frequency determined by the members or as often as necessary, in the opinion of its chairperson. The committee will be called by the chairperson of the committee, on his own initiative, or on request of the chairperson of the board of directors or two members of the committee itself. The call will be sent in the manner established in the Regulations to call the board of directors.
6. The strategy committee may validly meet when a majority of its members attend the meeting in person or by proxy. Resolutions will be passed by a majority of the members in attendance, in person or by proxy. In the event of a tie, the chairperson will have a casting vote.
7. When so requested by the committee, the members of the management team and the employees of the Company are required to attend meetings of the strategy committee and cooperate with it. Furthermore, when it deems it to be necessary for appropriate fulfilment of its duties, the committee may seek and contract the advice of outside experts.
8. The board of directors will establish the eventual additional fees that, if appropriate, shall be paid to the members of the strategy committee as a result of the functions performed.
9. Minutes will be prepared of the resolutions adopted at each meeting, which will be reported to the full board. The minutes will be available to all members of the board at the office of the secretary, but will not be subject to sending or delivery on a discretionary basis, unless the chairperson of the committee provides otherwise.
10. In the absence of an additional specific rule, to the extent not incompatible with its nature, the provisions of this regulation regarding the functioning of the board of directors will be applicable to the strategy committee.

#### **Article 39. Nomination and Remuneration Committee**

1. The board of directors will establish a nomination and remuneration committee, on a permanent basis, which will be solely comprised of outside or non-executive directors, the majority independent, in a number determined by the board of directors, with a minimum of three (3) and a maximum of five (5). The members of the nomination and remuneration committee will be appointed by the board of directors.
2. The nomination and remuneration committee will appoint a chairperson from among its

members. The chairperson will be an independent director. The chairperson must be replaced every four (4) years, and may be re-elected after the term of one (1) year elapses since he left office.

3. The members of the nomination and remuneration committee shall have knowledge, aptitude and experience appropriate to the functions they are to perform. For these purposes, the board will take into consideration the knowledge and professional experience acquired as a result of the performance of responsibilities related to this matters, as well as the knowledge and experience due to the performance of management and executive roles and responsibilities with could be related to these issues in a significant way (such as chief executive officers or senior managers with supervisory and management responsibilities in human resources, corporate governance and remuneration policies areas, etc.).
4. Without prejudice to such other tasks as may be assigned to it from time to time by the board of directors, the nomination and remuneration committee in any event will have the following authority:
  - (i) evaluating the competence, knowledge, and experience required in the board. To this end, the committee will determine the functions and skills required for the candidates to cover a vacancy, and will evaluate the precise time and dedication in order to carry out their tasks effectively;
  - (ii) making proposals to the board of directors of independent directors to be appointed by co-option or for submission to decision by the general meeting, and proposals for re-election and removal of those directors by the general meeting;
  - (iii) reporting on proposals for the appointment of other directors to be appointed by co-option or for submission to decision by the general shareholders meeting, and proposals for re-election and removal of those directors by the general meeting;
  - (iv) reporting to the board on proposals for the appointment, re-election and removal of internal positions within the board of directors of the Company (chairperson, vice person, lead coordinator, secretary and vice-secretary, if any);
  - (v) reporting on proposals for the appointment and removal of senior manager and the basic conditions of their contracts;
  - (vi) reporting to the board on matters of gender diversity and, in particular, seeing to it that procedures for selection of directors and senior managers do not suffer from implicit bias preventing selection of women. In particular, the committee shall set a target for representation on the board for the least represented gender, establishing guidelines to achieve such target;
  - (vii) proposing to the board of directors (i) the policy for directors remuneration and senior managers or any other persons performing senior management duties reporting to the board, the committees or the managing director, (ii) the individual compensation of executive directors and the other terms of their contracts, supervising their implementation, and (iii) the basic terms of contracts of senior managers;
  - (viii) analysing, formulating and periodically reviewing the compensation policy applied to executive directors and the management team, including schemes for compensation in the form of shares and the application thereof, and guaranteeing

that it is proportionate to the compensation paid to other directors and members of the management team and other personnel of the Company;

- (ix) overseeing compliance with the compensation policy set by the Company;
  - (x) examining and organising the succession plan for the president of the board and for the chief executive officer of the Company and, if applicable, suggesting proposals to the board of directors to ensure a smooth and organised transition;
  - (xi) generally supervising compliance with the Company's applicable corporate governance rules, including a periodic evaluation of the corporate governance system of the company, in order that it achieves its mission to promote the social interest and to take into account, as appropriate, the legitimate interests of other stakeholders.
  - (xii) reporting to the shareholders on its performance of its duties, for this purpose attending the general shareholders meeting; and
  - (xiii) assisting the board in the preparation of the report on directors' compensation policy and sending the board any other reports on compensation contemplated in this regulation, verifying the information on compensation paid to directors and senior management contained in the different corporate documents, including the annual report on directors' remuneration.
5. The nomination and remuneration committee will meet as often as necessary, in the judgment of its chairperson. The chairperson must call a meeting upon request for the issuance of a report or adoption of proposals and, in any event, whenever it is appropriate to the proper exercise of its authority.
  6. The committee will be called by the chairperson of the committee, on his own initiative, or on request of the chairperson of the board of directors or two members of the committee itself. The call will be sent by letter, telegram, fax, e-mail, or in any other manner allowing evidence of receipt.
  7. The nomination and remuneration committee may validly meet when a majority of its members attend the meeting in person or by proxy. Resolutions will be passed by a majority of the members in attendance, in person or by proxy.
  8. Minutes will be prepared of the resolutions adopted at each meeting, which will be reported to the full board. The minutes will be available to all members of the board at the office of the secretary thereof, but will not be subject to sending or delivery on a discretionary basis, unless the chairperson of the committee otherwise orders.
  9. The nomination and compensation committee will prepare an annual report of its actions, highlighting the principal incidents, if any, that have arisen in respect of matters within its competence.
  10. When so requested by the committee, the members of the board of directors, the management team and the employees of the company are required to attend meetings of the nomination and remuneration committee and cooperate with it and give it access to the information available to them. Additionally, when it deems it to be necessary for appropriate fulfilment of its duties, the committee may seek the advice of outside experts.
  11. In the absence of a specific rule, to the extent not incompatible with its nature, the provisions of this regulation regarding the functioning of the board of directors will be applicable to the nomination and remuneration committee.

## **TITLE XII. REPORTING POLICY**

### **Article 40. Annual corporate governance report**

1. The board of directors annually will approve an annual corporate governance report of the Company, referring to the matters contemplated by law, together with those, if applicable, it deems to be appropriate. In particular, the report must offer a detailed explanation of the structure of the company's governance scheme and its functioning in practice, in particular including a description of the principal characteristics of the internal risk control and management systems related to the process of issuance of financial information.
2. The annual corporate governance report will be approved prior to publication of the notice of call of the ordinary general meeting of the Company for the financial year in question, and will be made available to the shareholders together with the other documentation of the general meeting.
3. The Company shall include the annual report on corporate governance in a separate section of the management report.
4. In addition, the annual corporate governance report will be publicised as contemplated in the securities market regulations. In particular, the report will be published as a material disclosure.

### **Article 41. Annual report on directors' remuneration**

1. In addition to the annual report on corporate governance, the board of directors will draft and publish an annual report on the director's remuneration, which will include the compensations the directors receive or should receive as such directors, and, if applicable, for the performance of execution duties.
2. Said report will include complete, clear and comprehensible information on the director's remuneration policy applicable to the current financial year, as well as a global summary of the implementation of the remuneration policy during the previous financial year and the breakdown of the individual remunerations received by each of the directors under any concepts in said financial year.
3. Said report will be disclosed and submitted to a vote by the shareholder's ordinary general meeting, on a consultative basis and as a separate item on the agenda.

### **Article 42. Website**

1. The Company will maintain a website (*www.diacorporate.com*) to facilitate the exercise of the shareholders' right of information and to disseminate the material information of the Company to investors. The website will include the documents and information contemplated by the Act, otherwise required by the CNMV, as the case may be, and any others determined by the board of directors, and at least the following, in the terms foreseen by law:
  - (a) the articles of association;
  - (b) the general shareholders meeting regulation;
  - (c) the board of directors regulation;
  - (d) the internal code of conduct on securities markets;
  - (e) the annual corporate governance report for the most recent closed financial year and prior financial years;

- (f) the composition of the board of directors and its committees, identifying their members, positions, status and possible relationships with significant shareholders of the Company;
  - (g) the financial statements, together with the management report, and the periodic public information sent to the CNMV;
  - (h) information regarding the call, agenda and proposed resolutions of any ordinary or extraordinary general meeting, as well as any material information that may be required by shareholders in order to cast their votes;
  - (i) information regarding the development of general shareholders meetings already held, in particular regarding the agenda, attendance at the general meeting at the time it was held, resolutions adopted stating the number of votes cast and the sense thereof for each of the proposals included on the agenda;
  - (j) the communications channels existing between the Company and the shareholders, in particular the pertinent explanations regarding exercise of the shareholders' information right, indicating the postal and e-mail addresses to which they may be sent;
  - (k) the resources and procedures for granting proxies for the general meeting;
  - (l) the resources and procedures for exercise of remote voting at the general meeting, if applicable including forms to show attendance and voting by proxy and by remote means, through telematic procedures;
  - (m) the material disclosures notified to the CNMV during the current financial year and the last closed financial year; and
  - (n) the Company's average period for payment to suppliers and, if applicable, the measures to be taken in following financial year in order to reduce it and reach the maximum determined in the relevant regulations.
2. In particular, within the information regarding directors the Company makes public by way of its website, updated information will be included regarding (i) their professional and biographical profiles, (ii) other boards of directors of which they are members, whether or not listed companies, as well as the rest of the relevant income-generating activities that he/she carries out, regardless of their nature (iii) an indication of the category of director to which they belong, as applicable, in the case of proprietary directors indicating the shareholder they represent or to which they are related, (iv) the date of first appointment as a director of the Company, and the dates of subsequent appointments, and (v) the shares of the Company and options thereon owned by the director.
3. The board of directors may agree to modify, remove or transfer the website. This resolution will be recorded at the Commercial Registry or will be notified to all the shareholders and, in any case, will be published in the Official Gazette of the Commercial Registry and the website itself will announce a resolution to modify, remove or transfer within thirty (30) days following the insertion of the resolution.

### **TITLE XIII. EFFECTIVE DATE**

#### **Article 43. Effective Date**

The regulation will be in effect for an indefinite term and will become effective on the date of

official admission to trading of the shares of the Company on the stock exchanges by way of the Exchange Interconnection System (Sistema de Interconexión Bursátil).