

# **Regulations of the Board of Directors of BANKIA, S.A.**

It includes the amendments approved by the Board of Directors held in November, 26, 2015

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**CHAPTER I. PRELIMINARY****ARTICLE 1. PURPOSE**

1. The purpose of these regulations is to specify the operating principles for the board of directors of Bankia S.A. (hereinafter the “**Company**”), the basic rules of its functioning and the code of conduct for its members, all while observing the best corporate governance practices in the business sector.
2. The code of conduct established in these regulations for directors will, to the extent compatible with their specific nature and their activities, be applicable to senior officers of the Company and the non-director secretary and assistant secretary of the board of directors.
3. These regulations develop and supplement the legal and bylaws rules applicable to the board of directors of the Company (which will prevail in the event of conflict with the provisions of these regulations) and will be interpreted in accordance with the legal and bylaws rules applicable to the board. The board of directors has authority to resolve such doubts as may arise regarding application and interpretation of these regulations in accordance with the general criteria for interpretation of legal rules.

**ARTICLE 2. AMENDMENT**

1. These regulations may only be amended on initiative of the chairman of the board of directors, four (4) directors or the audit and compliance committee, which must accompany the proposal with an explanatory memorandum.
2. Proposed amendments must be reported on by the audit and compliance committee.
3. The text of the proposal, the supporting memorandum of its authors and the report of the audit and compliance committee must be attached to the call of the board meeting that is to consider it.
4. To be valid an amendment of the regulations must be accomplished by a resolution adopted by the board of directors, with a favourable vote of the absolute majority of the directors present at the meeting in person or by proxy. These regulations must be updated whenever it is necessary to adapt the content to applicable law.
5. The approval of these regulations and amendments thereof will be reported to the general meeting.

**ARTICLE 3. DISSEMINATION**

Directors and senior officers must be familiar, comply and cause compliance with these regulations. To that end, the secretary of the board will provide all of them with a copy thereof upon their acceptance of their respective appointments or upon effectiveness of their contracts, as applicable. They must deliver a signed declaration to the Secretary stating that they are aware of and accept the content of these regulations, covenanting to fulfil such obligations as are imposed on them thereby.

**CHAPTER II. MISSION OF THE BOARD****ARTICLE 4. GENERAL SUPERVISORY FUNCTION AND OTHER AUTHORITY**

1. Except for matters reserved to the competence of the general meeting, in accordance with the provisions of applicable legislation and the bylaws of the Company, the board of directors is the highest decision-making body of the Company. The foregoing is without prejudice to the delegated and other authority given carried out by the bylaws to the chairman of the board of directors.
2. The board's policy is to delegate ordinary Company management in executive bodies and management team and to concentrate its activities on the general supervisory function and consideration of those matters that are of particular importance to the Company.

Regarding the foregoing, the board of directors will define a system of corporate governance that guarantees sound and prudent management of the Company, and includes an appropriate distribution of functions within the organisation and the prevention of conflicts of interest, monitoring the application of that system and periodically controlling and evaluating its effectiveness, if applicable adopting appropriate measures to correct any possible deficiencies.

3. The board will assume, without delegation, such authority as is legally reserved directly to it, and such other authority as may be necessary for responsible exercise of the general supervision function.
4. The board takes responsibility for providing the markets with timely, accurate and reliable information, particularly on ownership structure, substantial amendments to governance rules, trading in treasury shares and particularly significant related-party transactions.
5. The board will approve the financial information the Company periodically must make public.
6. The board will establish the dividend policy and present the corresponding proposed resolutions regarding allocation of profits and other forms of remuneration of shareholders to the general meeting of shareholders, and, if applicable, will order payment of interim dividends.
7. In particular, without prejudice to the powers recognised in the bylaws, the board of directors will have the following authority which may not be delegated
  - a) The approval of the strategic or business plan, as well as the management objectives and annual budget, the investment and financing policy, the corporate social responsibility policy and the dividend policy, assuming responsibility for administration and management of the Company, approval of and overseeing the application of its strategic objectives, its risk strategy and its internal governance.
  - b) The determination of the general strategies and policies of the Company, in particular the determination of the tax strategy of the Company, the policy for control and management of risk, including tax risk, and supervision of the internal reporting and control systems, as well as ensuring the integrity of the accounting and financial reporting systems, including financial and operational control and compliance with applicable legislation.

- c) The determination of the corporate governance policy for the Company and the group of which it is the controlling company; as well as regular supervision, control and periodic evaluation of the effectiveness of the corporate governance system and, if applicable, adoption of appropriate measures to correct deficiencies; organisation and functioning of the board of directors and, in particular, approval and modification of its own regulations.
- d) The approval of the financial information that, by reason of its status as a listed company, the Company must publish periodically, as well as supervising the process of disclosure of information and the communications related to the Company.
- e) The definition of the structure of the corporate group of which the Company is the controlling entity.
- f) The approval of all kinds of investments and operations which, due to their high value or special characteristics, are strategic in nature or have high tax risk, unless their approval is the remit of the general meeting.
- g) Approval of the creation or acquisition of shareholdings in entities of purpose special or entities resident in countries or territories 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 or its Group.
- h) The approval, after obtaining a report from the audit and compliance committee, of transactions entered into by the Company or companies in its Group with directors, or with shareholders who, either individually or together with others, hold a significant interest, including shareholders represented on the board of directors of the company or of other companies in the same group or with persons related to them. The affected directors, or those representing or related to the affected shareholders, must refrain from participating in deliberation and voting on the resolution in question. Only transactions simultaneously having the three following characteristics are exempt from this approval:
  - 1. they must be carried out under contracts whose terms are standardised and apply *en masse* to a large number of customers,
  - 2. they must be carried out at prices or rates which are established generally by the supplier of the good or service in question, and
  - 3. their value must not exceed one percent of the Company's annual income.
- i) The supervision of the actual operation of the committees created by it and of the actions of the delegated bodies as well as, when so envisaged by the law, of the officers appointed by it, in all cases including senior management.
- j) The policy on treasury shares.
- k) The call of the general meeting of shareholders and the preparation of the agenda and proposed agreements.
- l) Decisions relating to directors' remuneration, in accordance with the provisions of the bylaws, and with the remuneration policy, where applicable as approved by the general meeting.

- m) The authorisation or waiver of the obligations deriving from the duty of loyalty as provided by law.
- n) The formulation of the annual accounts and their presentation to the general meeting.
- o) Making any kind of report required by law to the board of directors, provided that the matter covered by the report is nondelegable.
- p) The appointment and removal of the chief executive officer of the Company, as well as the establishment of the terms of his contract.
- q) The Appointment and removal of the executives reporting directly to the board or any of its members, as well as the establishment of the basic terms of their contracts, including their remuneration, on a proposal from the chief executive of the society.
- r) The powers the general meeting has delegated to the board of directors, unless it had been expressly authorised by it to subdelegate them.

In the terms envisaged in the applicable law, in the event of a duly justified situation of urgency, decisions relating to the above matters may be taken by the delegated persons or bodies, and must be ratified at the first board of directors meeting held after adoption of the decision.

#### **ARTICLE 5. POWERS OF REPRESENTATION**

1. The power of representation of the Company, judicial and extrajudicial, corresponds to the board of directors, which will adopt its resolutions collectively and ordinarily will act through its chairman. The chairman also will hold power of representation of the Company. The board also may act through any other director to whom it delegates that authority.
2. The secretary of the board and, if applicable, the assistant secretary, will have the representation authority necessary to arrange for attestation as public documents and request registration of the resolutions of the general meeting and the board of directors.
3. The provisions of this article are without prejudice to any such other general and special delegations and grants of power of attorney as may be made.

#### **ARTICLE 6. GUIDING PRINCIPLES**

The sole objective of the Company's directors in their decisions will be the corporate interest of the Group, regardless of who proposed their appointment as directors. Thus the directors of the Company will be understood to be entitled to participate in all decisions and resolutions of the board of directors, except for those expressly excluded in the bylaws or these regulations.

The board of directors also will see to it that the Company faithfully complies with current laws, respects the uses and good practices of the sectors or countries where it does business, and observes the principles of social responsibility voluntarily accepted by it.

**CHAPTER III. COMPOSITION OF THE BOARD****ARTICLE 7. NUMBER OF DIRECTORS**

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. For this purpose it will act directly by setting that number by express resolution, or indirectly, by providing for vacancies or appointing new directors, within the maximum established in the bylaws.

**ARTICLE 8. QUALITATIVE COMPOSITION**

1. In order to be appointed as a member of the board of directors it will not be necessary to be a shareholder. The members of the board of directors must satisfy the requirements of banking regulation to be considered to be honourable persons suitable for exercise of that function. Supervening failure to satisfy those requirements will be grounds for removal of the director.
2. The board of directors, in the exercise of its authority of proposal to the general meeting and co-optation to cover vacancies on the board, will:
  - a) to it that the external or non-executive directors represents a wide with respect to executive directors, and among them there is a reasonable number of independent directors; and
  - b) progress in the professionalism of the board of directors based to the extent possible, the recommendations of good corporate governance.

When classifying directors as executive, proprietary or independent, the definitions established in the applicable legislation will be followed.

3. The general composition of the board of directors as a whole must include sufficient knowledge, competence and experience in the governance of credit institutions for appropriate understanding of the activities of the Company, including its principal risks, ensuring the effective capacity of the board of directors to take decisions independently and autonomously for the benefit of the Company. In any event it must see to it that the procedures for selection of its members favour diversity of experience and knowledge, facilitate the selection of female directors and, in general, do not suffer from implicit biases that could imply any discrimination.
4. The board will state the classification of each director to the general meeting of shareholders that is to make or ratify the appointment. Also, on an annual basis and after verification by the appointments committee, that classification will be reviewed by the board of directors, reporting thereon in the annual corporate governance report.
5. Members of the board of directors may not at the same time occupy more positions than as contemplated by the banking and commercial regulations applicable from time to time.

**ARTICLE 8 BIS. DIRECTOR SELECTION POLICY**

1. The board of directors will approve a director selection policy that will be specific and verifiable and will ensure that proposals for appointment or re-election are based on prior



analysis of the needs of the board of directors, favouring diversity of knowledge, experience and gender in accordance with best corporate governance practices.

2. The results of the prior analysis of the needs of the board of directors will be set forth in an explanatory report of the appointments committee, which will be published upon call of the general meeting of shareholders to which the ratification, appointment or re-election of each director is submitted.

The appointments committee annually will verify compliance with the director selection policy, reporting thereon in the annual corporate governance report.

#### **CHAPTER IV. INTERNAL POSITIONS AND COMMITTEES**

##### **ARTICLE 9. CHAIRMAN OF THE BOARD**

1. The board of directors, following a report from the appointments committee, will appoint its chairman, the term of office of which will be indefinite for so long as the chairman remains a director, with no limits on re-election.

The chairman of the board of directors, in addition to the power of representation referred to in Article 36 of the bylaws, will be the executive chairman of the Company, with the maximum authority given thereto for that purpose by the board of directors. The authority delegated to the chairman may be granted by it by way of power of attorney, in particular the authority to propose appointment of members of the Company's senior executives, and to authorise any other appointments within the Company.

The chairman of the board of directors will be the chief executive of the Company and will have the maximum authority necessary for exercise of that position, without prejudice to the authority, if any, given to the chief executive officer, having the following authority, in addition to the other authority granted in the bylaws and these regulations:

- a) to see to overall compliance with the bylaws and implementation of the resolutions of the general meeting and the board of directors;
- b) to exercise top-level oversight of the Company and all of its departments;
- c) to head the Company's management team, always in accordance with the decisions and criteria set by the general meeting and board of directors within the scope of their respective authorities;
- d) together with the managing director, to handle matters related to ordinary management of the Company;
- e) to propose the appointment and removal of the chief executive officer to the board of directors, after obtaining a report from the appointments committee;
- f) to call and chair the meetings of the board of directors, setting the agenda and directing discussions and deliberations;
- g) to chair general meetings of shareholders;

- h) to ensure that directors receive sufficient information in advance to deliberate on the points of the agenda;
- i) to encourage debate and the active participation of the directors during meetings, safeguarding their right to freely choose their position and express their opinion; and
- j) any other functions that have been delegated to him.

In the event of absence, impossibility or unavailability of the chairman, his duties will be performed temporarily by the director appointed for that purpose by the board of directors or, if none is so appointed, by the eldest director. In any event, if the vacancy or absence is for extended extraordinary reasons, or the result of physical incapacity, the chairman may be replaced in his duties by such other director to which authority may be extended by way of the appropriate power of attorney.

Independently of the provisions of the preceding paragraph, when the chairman of the board is an executive director, the board of directors will appoint, from among the independent directors, on proposal of the appointments committee, a coordinating independent director who will gather all questions and concerns communicated thereto by the external directors, and may request call of the board of directors and inclusion of points on the agenda. In particular, in addition to the other functions legally corresponding thereto, the coordinating independent director will reflect the concerns of the non executive directors, organising possible common positions of the independent directors, serving as a channel for communication or spokesman for such common positions; it will maintain contacts with investors and shareholders in order to be familiar with their points of view for purposes of forming an opinion regarding their concerns on the terms set forth in the corporate policy on reporting to and communication and contacts with the shareholders, institutional investors and voting advisors approved by the entity, in particular in respect of corporate governance of the company; he will coordinate the succession plan for the chairman; and it will direct the evaluation of the chairman's performance of his duties.

The term for service as the coordinating independent director will be three years, with no successive re-election. Status as the coordinating independent director will cease by expiration of the term for which the coordinator was appointed, and when the coordinator ceases to be a director, when being a director the coordinator loses status as an independent director, or when so resolved by the board of directors upon proposal of the appointments committee.

2. The chairman must call the board and place the matters in question on the agenda when so requested by one of the independent directors. In the event of a tie, the chairman will have a casting vote.
3. The chairman, as the one responsible for efficient functioning of the board of directors, will prepare and submit to the board of directors the estimated planning of the matters of an ordinary and/or regular or recurring nature to be considered; he will be responsible for directing the board and the effectiveness of its functioning; he will see to it that sufficient time is given for discussion of strategic questions, and will order and revise refresher programmes for each director, when circumstances so advise. Also, the chairman will see to it that the directors receive sufficient information for the performance of their duties, with each director being entitled to request such additional information and advice as may be required for

performance of his duties, and to request that the board of directors be assisted by experts from outside the Company's departments, regarding such matters submitted to its consideration that by their special complexity or importance so require.

4. On the terms contemplated in the bylaws, the chairman also will have the powers and authority of the board of directors except for those that by law or the bylaws cannot be delegated.

#### **ARTICLE 10. THE CHIEF EXECUTIVE OFFICER**

1. Independently of the provisions of the previous articles, at the proposal of the chairman and subject to a report by the appointments committee, the board may appoint a chief executive officer (CEO). The CEO will be given the responsibilities the board considers appropriate and will report to and inform the executive chairman on the progress of the businesses and any other matters within his remit.
2. The granting to the chairman, the chief executive officer or any other member of the board of permanent executive authority, general or by sector, other than the collective supervision and decision-making inherent in the simple position of a director, may be made by virtue of structural delegation, by general powers of attorney or by other contractual documents. The members of the board granted such authority will be deemed to be executive directors, in any event under the higher-ranking management of the executive chairman.
3. The assigning or delegating resolution will determine the extent of the authority given to the chief executive officer, the remuneration corresponding thereto in this regard and any other terms and conditions of the relationship, which will be incorporated in an appropriate contract.
4. The term of office of the chief executive officer, for so long as he remains a director, will be indefinite, with no limits on re-election.

#### **ARTICLE 11. SECRETARY OF THE BOARD**

1. The board of directors, following a report from the appointments committee, will appoint a secretary capable of performing the duties inherent in that position. The appointment may be of a person who is not a director, in which case the secretary will act with voice but without vote.
2. The secretary will assist the chairman with his work and must see to the proper functioning of the board of directors. In particular the secretary must assist the chairman so that the directors receive the advice and information necessary for performance of their duties, keep corporate documents, properly reflect the conduct of meetings in the minute books, and certify the resolutions of the board. Also, the secretary in the minutes must note the matters not resolved by the board that have been stated by the directors regarding the progress of the Company, and the questions raised by the secretary or the directors regarding any proposal, on request of the one making the statement.
3. The secretary in any event will see to the formal and substantive legality of the actions of the board, and will ensure that they are in accordance with the letter and spirit of the laws and

the regulations thereof, including those approved by regulatory agencies, and that they are in accordance with the Company's bylaws and the Company's board and other regulations. The secretary in particular will see to it that the board of directors, in its actions and decisions, takes account of the corporate good governance recommendations applicable to the Company.

4. The board of directors, after obtaining a report from the appointments committee, may appoint an assistant secretary, which also need not be a director, to assist the secretary in exercise of its duties and to replace it in the event of absence, unavailability, incapacity or vacancy.
5. In the event of absence or impossibility, the secretary and assistant secretary of the board may be replaced by such director from among those attending the corresponding meeting as may be appointed by the board itself. The board may also resolve that the aforesaid temporary replacement will be any employee of the Company. The secretary of the board will also be secretary of all board committees, without prejudice to what may be agreed in each of the board committees' specific regulations.

#### **ARTICLE 12. COMMITTEES OF THE BOARD OF DIRECTORS**

1. Without prejudice to delegations of authority made on an individual basis and its authority to establish board committees for specific areas of business, the board of directors may establish an executive committee, with general decision-making authority, and in any event will establish an audit and compliance committee, an appointments committee, a remuneration committee and a risks advisory committee, these latter with authority only to report, advise and make proposals regarding the matters specified in the following articles, and a board risk committee, with decision-making authority.
2. The board of directors also may create other committees, with such authority as the board of directors may determine.
3. Minutes of meetings will be prepared, with copies sent to all board members. If not otherwise specifically provided the operating rules established in the bylaws and these regulations in respect of the board will be used, provided that they are consistent with the nature and function of the committee.

#### **ARTICLE 13. EXECUTIVE COMMITTEE**

1. An executive committee may be formed, which will be made up of no fewer than five (5) and no more than seven (7) directors.
2. Resolutions to permanently delegate any power of the board of directors to the executive committee or to appoint members of the executive committee will require the approval of at least two-thirds of the directors.
3. The executive committee will have the powers permanently delegated to it by the board of directors at the time the committee is created or subsequently, insofar as the law and the bylaws allow them to be delegated.

4. The chairman of the board of directors will act as chairman of the executive committee. The secretary thereof will be the secretary of the board, and the assistant secretary of the committee, if any, will be the assistant secretary of the board.
5. The executive committee will handle all matters within the jurisdiction of the board of directors that, in the judgment of the committee itself, must be resolved without further delay, with the sole exception of matters that may not be delegated under the provisions of law, the bylaws or these regulations.

In any other case, resolutions adopted by the executive committee will be valid and binding without need of subsequent ratification by the full board.

6. The executive committee will meet as often as called by the chairman, on his own initiative or at the request of any one (1) of its members.
7. Resolutions of the executive committee will be adopted by absolute majority of the members present at the meeting in person or by proxy.

In the event of a tie, the chairman will have a casting vote.

8. The executive committee must report to the board on the matters considered and the decisions adopted at its meetings. For this purpose, at the first meeting of the board following a meeting of the committee the resolutions adopted by the aforesaid committee will be reported.

#### **ARTICLE 14. AUDIT AND COMPLIANCE COMMITTEE**

1. The audit and compliance committee will be formed exclusively by non-executive directors, the majority independent, with a minimum of 3 and a maximum of 5 directors, all of the foregoing without prejudice to attendance, when so expressly resolved by the members of the committee, of other directors, including executive directors, senior managers and any employee. The members of the audit and compliance committee will be appointed by the board of directors, considering knowledge, skills and experience in the field of accounting, auditing or both and the tasks of the committee; the members of the committee as a whole must have the pertinent technical knowledge in relation to the banking sector.
2. The committee will be chaired by an independent director that, in addition, has knowledge, aptitude and experience in the field of accounting, auditing or risk management. The chairman of the committee must be replaced every four years, and may be re-elected after the term of one year elapses since he left office. The chairman of the committee at any time may contact the officer of the Company responsible for internal audit, requesting information there from regarding the internal audit actions that are being taken. Also, regardless of the corresponding organisational structure, the officer responsible for internal audit will maintain a constant functional relationship with the audit and compliance committee and its chairman. In any event, the audit and compliance committee will oversee the performance of the internal audit unit.
3. The committee will have a secretary and, optionally, an assistant secretary, who need not be directors and may be other than the secretary and assistant secretary of the board of directors, respectively.

4. The committee will meet as often as called by resolution of the committee itself or its chairman, at least four times per year. Any member of the management team or employee of the company that is required to do so must attend its meetings, to cooperate with it and provide access to any information it may have. The committee also may require the attendance of the statutory auditor. One of its meetings will be used to evaluate the efficiency of and compliance with the Company's governance rules and procedures, and prepare the information the board must approve and include in the annual public documentation.
5. The audit and compliance committee shall be validly constituted with assistance, in person or by proxy, of at least the majority of its members. It will adopt its agreements by absolute majority of the members of the committee in attendance at the meeting, in person or by proxy. In the event of a tie, the chairman will have a casting vote. The members of the committee may extend proxies to other members. The resolutions of the audit and compliance committee will be maintained in a minutes book, each entry in which will be signed by the chairman and the secretary.
6. Without prejudice to other tasks assigned to it by the board, the audit and compliance committee will have all the functions given to it by applicable legislation, in particular and without limitation the following basic responsibilities:
  - a) Reporting to the general meeting of shareholders on questions posed in respect of such matters as are within the competence of the committee, in particular regarding the results of the audit, explaining how it has contributed to the integrity of the financial information and the role played by the committee in this process.
  - b) Monitoring the effectiveness of the internal control of the Company, the internal audit, the regulatory compliance, and the risk management systems, and discussing significant weaknesses in the internal control system detected in the development of the audit with the auditor, all without compromising its independence. For such purposes, the committee if applicable may submit recommendations or proposals to the board of directors and the corresponding term for monitoring thereof. In particular, regarding internal reporting and control systems:
    - verifying the appropriateness and integrity of internal control systems and reviewing the appointment and replacement of those responsible therefor;
    - reviewing and monitoring the process of preparation and the integrity of the financial information on the Company and, where appropriate, the Group, reviewing compliance with legal provisions, appropriate definition of the scope of consolidation, and proper application of accounting principles
    - periodically reviewing the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed;
    - seeing to the independence and effectiveness of the internal audit and regulatory compliance functions; reviewing the annual work plan; proposing the selection, appointment and removal of the head of internal audit functions, who will report directly to the committee on issues arising in the conduct thereof and at the end of each year will submit an activities report; proposing the budget for those

departments; receiving periodic reports on their activities; and verifying that senior management is acting on the findings and recommendations in its reports. In particular, the internal audit function will attend the requirements of information received from the audit and compliance committee in the exercise of its duties;

- monitoring the performance of the regulatory compliance unit, the head of which will report directly to the committee on issues arising in the implementation of the annual work plan, and at the end of each financial year will submit an activities report.
  - establishing and supervising a mechanism that allows employees, on a confidential basis, to communicate potentially significant irregularities, specially financial and accounting, arising within the Company, promoting compliance with the Code of Ethics and Conduct approved by the Company, verifying the functioning of the Ethics and Conduct Committee within the scope of its authority, which committee will submit an activities report to the audit and compliance committee at the end of each financial year; and
  - establishing and supervising the existence of a model for prevention and detection of crimes that may result in criminal liability of the Company;
- c) Monitoring the process of preparation and presentation of the required financial information and presenting recommendations or proposals to the board of directors, addressed to safeguarding its integrity, in particular:
- Reporting in advance to the board of directors on the financial information which the Company must make public on a regular basis.
  - reviewing the Company's accounts, monitoring to compliance with legal requirements and proper application of generally accepted accounting principles, and reporting on proposed changes of accounting standards and principles suggested by management; and
  - reviewing the issue prospectuses and the periodic financial information, if any, that the board is required to provide to the markets and market supervisory bodies.
- d) Submitting to the board of directors proposals for selection, appointment, re-election and replacement of the auditor, taking responsibility for the process of selection, in accordance with the provisions of Community regulations, as well as the terms of its engagement.
- e) Establishing the appropriate relationships with the external auditor to receive information regarding such questions as may result in a threat to the independence thereof, for review by the committee, and any others related to the process of auditing accounts and, when appropriate, authorising the permitted services, on the terms contemplated in the Community regulations and in the applicable rules regarding independence, and such other communications as may be contemplated in the legislation regarding auditing of accounts and audit standards. In particular:
- acting 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 regarding the principles and criteria applicable to the preparation of the financial statements;

- receiving regular information from the external auditor on the audit programme and its implementation, and verifying that senior management is acting on its recommendations;
- ensuring that the external auditor at least annually has a meeting with the full board of directors to report to it on the work performed and the evolution of the accounting and risk situation of the Company.
- supervising compliance with the audit contract, seeking to ensure that the opinion on the annual accounts and the principal content of the auditor's report are drafted clearly and accurately;
- ensuring the independence of the external auditor in the performance of its duties and, to that end:
  - maintaining relationships with the statutory auditor in order to gather information on matters that may call its independence into question, as well as any other matters relating to the audit process, and engaging in such other communications with the statutory auditor as are contemplated in the audit legislation and technical standards for audits;
  - ensuring that the Company and the auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence; seeing to it that the remuneration of the external auditor for its work does not compromise its quality or independence;
  - in the event of resignation of the external auditor, reviewing the underlying reasons; and
  - monitoring the Company's notification of any change of auditor as a material disclosure, accompanied by a statement regarding the existence of disagreements with the outgoing auditor and, if applicable, the substance thereof.

In any event, annually it must receive from the external auditors a declaration of their independence as regards the Company or entities directly or indirectly related thereto, as well as detailed and individualised information on additional services of any kind provided to and the corresponding fees perceived from such entities by the external auditor or persons or entities related thereto, pursuant to the rules regulating the activity of auditing accounts.

- f) Annually, prior to the issue of the audit report, issuing a report stating an opinion as to whether the independence of the auditors or audit companies has been compromised. This report in any event must contain an explained evaluation of the provision of each and every one of the additional services that have been provided, taken individually and as a whole, other than the legal audit, as regards the scheme of independence of the auditors and regulations governing the activity of auditing accounts.



g) Supervising compliance with these regulations, the Company's internal code of conduct for the securities markets, the manuals and procedures for prevention of money laundering and, in general, the Company's governance and compliance rules, and making the necessary proposals for improvement thereof. In particular, the following are within the authority of the audit and compliance committee:

- Supervising the shareholder and investor communications and relationships strategy, including small and medium-sized shareholders.
- Periodically evaluating the adequacy of the Company's corporate governance system in order for it to fulfil its mission of promoting the interests of society and, as applicable, taking account of the legitimate interests of stakeholder groups.
- Reviewing the Company's corporate social responsibility policy, seeing to it that it is aimed at creation of value.
- Monitoring the corporate social responsibility strategy and practices and evaluating the degree of compliance thereof.
- Monitoring and evaluating the processes of relationships with the various stakeholder groups.
- Evaluating everything related to non-financial risks of the Company, including the operational, technological, legal, social, environmental, political and reputation risks.
- Coordinating the process of reporting non-financial and diversity information, in accordance with applicable regulations and reference international standards.
- Receiving information and, if applicable, issuing reports regarding measures disciplining members of the board of directors or senior management of the Company.

h) Reporting to the board on the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, as well as and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

i) Reporting in advance to the board of directors on any matters within its remit envisaged by law, the bylaws and the board of directors regulations.

j) Any other functions entrusted to it or authorised by the board.

The provisions of paragraphs d), e) and f) of the preceding subsection will be understood to be without prejudice to the rules regulating auditing of accounts.

7. In addition the audit and compliance committee will report to the board, prior to the adoption by it of the corresponding decisions, on related party transactions.
8. The audit and compliance committee will be informed regarding structural and corporate modification transactions expected to be implemented by the Company, for analysis thereof and prior report to the board of directors on the economic conditions thereof and their accounting impact, in particular on the proposed exchange ratio.
9. For better performance of its duties, the audit and compliance committee may seek the advice of outside professionals on matters within its competence.

10. 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.

#### **ARTICLE 15 APPOINTMENTS COMMITTEE**

1. The appointments committee will be comprised of non-executive directors and a majority of independent directors, with a minimum of 3 and a maximum of 5 directors, all this without prejudice to the attendance, when so expressly agreed by the members of the committee, of other directors including executive directors, senior executives and any employee.
2. The members of the appointments committee will be appointed by the board of directors, based on the knowledge, ability and experience of the directors and the responsibilities of the committee. The committee will be chaired by an independent director appointed by the board of directors. The chairman of the committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.
3. The committee will have a secretary and, optionally, an assistant secretary, who need not be directors and may be other than the secretary and assistant secretary of the board of directors, respectively.
4. The committee will meet as often as called by resolution of the committee itself or its chairman, and at least four times per year. Further, it also will meet whenever the board of directors or its chairman requests the issue of a report or adoption of proposals.
5. The Committee shall be validly constituted when fulfilled, present or represented, the majority of directors forming part of the Commission.
6. The committee will adopt its resolutions by absolute majority the members of the committee, present at the meeting in person or by proxy. In the event of a tie, the chairman will have a casting vote.
7. The appointments committee will have general authority to propose and report on appointments matters and removal of directors and senior managers. In particular, without prejudice to other tasks assigned to it by the board, the appointments committee will be responsible for:
  - a) assessing the skills, knowledge, ability, diversity and experience required for the board of directors and, therefore, defining the necessary functions and abilities for candidates wishing to cover each vacancy, and assessing the necessary time and dedication to carry out their duties in an effective manner, ensuring that the nonexecutive directors have sufficient time available for proper performance of their duties.
  - b) identifying, recommending and 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 of shareholders, and proposals for re-election or removal of those directors by the general meeting;
  - c) identifying, recommending and reporting to the board of directors on proposals for the appointment of the other directors to be appointed by co-option or for submission to decision by the general meeting of shareholders, and proposals for their re-election or removal by the general meeting of shareholders;

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- d) At the initiative of the chairman, reporting, on a nonbinding basis, on resolutions of the board related to the appointment or removal of senior managers of the Group and the basic terms of their contracts, without prejudice to the authority of the remuneration committee regarding remuneration matters, and periodically reviewing the policy of the board of directors regarding selection and appointment of members of senior management of the Group and making recommendations to it;
  - e) analysing the existence and updating of plans for succession of the chairman, the vice chairman and, if applicable, the chief executive officer and senior managers of the Company and, if applicable, making proposals to the board of directors in order for such succession to occur in an orderly and planned manner;
  - f) to ensure the independence, impartiality and professionalism of the secretary and assistant secretary of the board of directors, reporting on their appointment and removal for approval of the full board;
  - g) setting a goal of representation for the sex under-represented in the Board of Directors and to develop guidance on how to increase the number of the under-represented sex to achieve this objective. Also, the Commission will ensure, that by providing new vacancies selection procedures do not suffer of implicit biases that interfere with the selection of the under-represented sex;
  - h) regularly (at least once each year) evaluating the structure, size, composition and performance of the board of directors, if applicable making recommendations to it regarding possible changes;
  - i) regularly (at least once each year) evaluating the suitability of the various members of the board of directors and the board as a whole, and reporting thereon to the board of directors;
  - j) reporting to the board of directors on matters related to good corporate governance of the Company regarding matters within the competence of the committee (objectives, management of talent, liability insurance, etc.) and making the proposals necessary for improvement thereof;
  - k) proposing the policy for selection of directors to the board of directors, and annually verifying compliance therewith.
  - l) Without prejudice to the functions of the audit and compliance committee, the ethics and conduct committee will submit to the appointments committee, periodically and at least at the end of each financial year, an activities report in relation to performance of its functions, in particular as regards oversight and monitoring of the Code of Ethics and Conduct.
8. The committee will consult with the chairman and, if applicable, with the chief executive of the Company, especially on matters relating to executive directors and senior managers.
  9. For better performance of its duties, the committee may use such resources as it deems to be appropriate, including the advice of external professionals on matters within its competence, and will receive appropriate funding to do so.

10. The chairman and any director may make suggestions to the committee related to the matters within the scope of its competence and, in particular, may propose potential candidates to fill director vacancies.

#### **ARTICLE 15 BIS. REMUNERATION COMMITTEE**

1. The remuneration committee will be formed by non-executive directors and a majority of independent directors, with a minimum of 3 and a maximum of 5 counselors, Where the members of the committee expressly so agree, its meetings may also be attended by other directors, including executive directors, senior managers and any employee.
2. The members of the remuneration committee will be appointed by the board of directors, taking into account of their knowledge, aptitudes and experience of the directors and the committee's tasks. The committee will be chaired by a non-executive director appointed by the board of directors. The chairman of the committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.
3. The committee will have a secretary and, optionally, an assistant secretary, who need not be directors and may be other than the secretary and assistant secretary of the board of directors, respectively.
4. The committee will meet as often as called by resolution of the committee itself or its chairman, at least four times per year. Further, it also will meet whenever the board of directors or its chairman requests the issue of a report or the adoption of proposals.
5. The committee shall be validly constituted when fulfilled, present or represented, the majority of directors forming part of the Commission.
6. The committee will adopt resolutions by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the chairman will have a casting vote.
7. The remuneration committee will have the following tasks:
  - a) make proposals to the board of directors for the policy on the remuneration of directors and general managers or senior managers who report directly to the board, an executive committee or the CEO, as well as the individual remuneration and other contractual terms of executive directors, and oversee compliance;
  - b) report on senior management remuneration. The committee will oversee the remuneration of the heads of Internal Audit, Risks and Regulatory Compliance;
  - c) periodically review the programs of retribution, weighing their adequacy and their yields, remuneration policy applied to the directors and senior management, including the compensation actions systems and its application, as well as ensuring that their individual remuneration is proportionate to which is paid to the other directors and senior management of the company
  - d) ensure the transparency in remuneration and the inclusion of information about directors' remuneration in the annual report on directors' remuneration and the annual corporate governance report, submitting such information as may be necessary to the board for that purpose;

- e) verifying that the remuneration policy established by the Company is observed;
  - f) make proposals to the board on any remuneration decisions to be made by the board that may have an impact on risk and the Company's risk management, taking into account the long-term interests of shareholders, investors and other stakeholders into account, as well as the public interest, all this without prejudice to the functions assigned to the risk advisory committee in this matter;
  - g) seeing to it that possible conflicts of interest do not compromise the independence of the external advice provided to the committee.
  - h) verifying the information on remuneration of director and senior managers contained in the various corporate documents, including the annual report on remunerations of directors, for which purpose it will submit a report to the board of directors.
8. The committee will consult the chairman and, in his case, the CEO of the Company, especially in matters concerning executive directors and senior managers.
9. For the better perform its functions more effectively, the committee may use whatever resources it considers appropriate, including taking advice from outside professionals in matters within its remit.

#### **ARTICLE 16. RISK ADVISORY COMMITTEE**

1. The risk advisory committee will be comprised of a minimum of 3 and a maximum of 5 directors, who may not be executive directors. The members of the risk advisory committee must have the appropriate knowledge, ability and experience to fully understand and control the risk strategy and risk tolerance of the Company. At least one third of its members must be independent directors. In any event, the chairman of the committee will be an independent director.
2. Resolutions of the risk advisory committee will be adopted by absolute majority of the directors comprising the committee, present at the meeting in person or by proxy.  
In the event of a tie, the chairman will have a casting vote.
3. The risk advisory committee will have the following functions:
  - a) Advising the board of directors regarding overall risk exposure of the Company, current and future, and its strategy in this regard, and assisting it in overseeing the implementation of the strategy.  
  
Notwithstanding the foregoing, the board of directors will be responsible for the risks assumed by the Company.
  - b) Ensuring that the pricing policy for assets and liabilities offered to customers takes full account of the business model and risk strategy of the Company. If it does not, the risk advisory committee will present the board of directors with a plan for correction thereof.
  - c) Determining, together with the board of directors, the nature, amount, format and frequency of reporting on risks that is to be received by the risk advisory committee itself and the board of directors.

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- d) Collaborating for the establishment of rational remuneration practices and policies. To that end, and without prejudice to the functions of the remuneration committee, the risk advisory committee will monitor whether the incentives policy contemplated in the remuneration system takes account of risk, capital, liquidity and the probability and timing of profits.
- e) Submitting risk policies to the board of directors.
- f) Proposing the risk control and management policy of the Company and the Group to the board of directors, by way of the Capital Self-Evaluation Report (*Informe de Autoevaluación de Capital*, or "IAC"), which in particular will identify:
- The various kinds of risk, financial and nonfinancial (*inter alia* operating, technological, legal, social, environmental, political and reputation) to which the Company and the Group are exposed, including contingent liabilities and other off-balance-sheet risks within financial or economic risks.
  - The internal reporting and control systems to be used to control and manage the referenced risks, including contingent liabilities and off-balance-sheet risks.
  - The risk levels assumed by the Company.
  - The corrective measures to limit the impact of the identified risks, should they materialise.
- g) Referral to the board of directors of proposals for:
- Approval of policies for assumption, management, control and reduction of risks to which the Company is or may be exposed, including those deriving from the macroeconomic environment as related to the status of the economic cycle.
  - Approval of the general internal control strategies and procedures, on the status of which it periodically will be advised.
  - Periodic reports of the results of verification and control functions undertaken by the Company's units.
- h) Undertaking periodic monitoring of the loan portfolio of the Company and the Group, with the purpose of proposing to the board of directors the control of the adaptation of the risk assumed to the established risk profile, with particular attention to the principal customers of the Company and the Group and the distribution of risks by business sector, geographical areas and types of risk.
- i) Periodically verifying evaluation systems, processes and methodologies and criteria for approval of transactions.
- j) Proposing to the board of directors the evaluation, monitoring and implementation of the instructions and recommendations of supervisory entities in the exercise of their authority and, if applicable, referring proposals of actions to be taken to the board of directors, without prejudice to following the instructions received.
- k) Verifying that the risk reporting processes of the Company are those appropriate for management of the risks assumed, and, if not, proposing such improvements as it deems to be necessary for correction thereof.

- l) Proposing to the board of directors the Company's scheme of Credit Risk Authority.
- m) Supervising the internal risk control and management function, the head of which will, at the end of each financial year, submit an activities report to the committee, and evaluating whether the risk unit has the processes, technical resources and human resources necessary for proper fulfilment of its functions in an independent manner, in accordance with the risk profile of the Company.

In particular, the risk advisory committee will supervise the functions of the risk unit in relation to:

- Assurance of the good functioning of the risk control and management systems, in particular that all important risks affecting the Company are appropriately identified, managed and quantified.
  - Active participation in the elaboration of the risk strategy and in important decisions regarding the management thereof.
  - Seeing to it that the risk control and management systems adequately mitigate the risks within the context of the policy defined by the board of directors.
4. For the proper performance of its duties, the risk advisory committee will have unrestricted access to the information on the risk status of the Company and, if necessary, to the risk management unit and specialised external advisors.
5. The Director of the risk unit will be a senior manager, meeting the requirements set forth in the applicable regulations and in the performance of his/her duties having direct access to both the board of directors and the board and advisory risk committees, that Director being removable in accordance with the provisions of applicable regulations.

#### **ARTICLE 16 BIS. BOARD RISK COMMITTEE**

1. The board risk committee is the body responsible for approving risks within the authority delegated to it and for overseeing and administering the exercise of the authority delegated to lower-ranking bodies, all this without prejudice to the oversight authority vested by law in the audit and compliance committee.
2. The board risk committee will be made up of no fewer than three (3) and no more than seven (7) directors. The chairman of the committee will be a director appointed by the Company's board of directors.
3. Resolutions of the board risk committee will be adopted by absolute majority of the members present at the meeting in person or by proxy.

In the event of a tie, the chairman will have a casting vote.

4. The board risk committee will have operational authority and, therefore, may adopt the corresponding decisions within the scope of authority delegated by the board.
5. The board risk committee will have the specific delegated authority contemplated in the delegation resolution.

6. Also, copies of the minutes of meetings of this committee will be made available to all directors.
7. Specifically, the board risk committee will have the following functions, among others:
  - a) Make decisions within the scope of the authority delegated by the board of directors in risk matters specifically provided for in the board's current delegation resolution.
  - b) Within its scope of authority, set the overall preclassification limits for account holders or customer groups in relation to exposures by risk class.
  - c) Report to the board of directors on risks that may affect the Company's capital adequacy, recurring results, operations or reputation.
  - d) With respect to the approval of risk types other than credit risk, the authorities of the board risk committee will be those delegated to it by the board of directors at any given time.

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

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

1. The board of directors generally will meet once each month, following the estimated planning of matters of an ordinary and/or recurring nature to be considered. Each individual director may propose other points for the agenda, initially not contemplated. The foregoing must be understood to be without prejudice to the proposal or analysis of any other matter that should be submitted to consideration of the board of directors, apart from matters of an ordinary and/or recurring nature. In addition, it will meet as often as called by the chairman, on his own initiative or on request of an independent director. In the latter case the chairman will call the extraordinary meeting within a maximum term of three business days after receipt of the request, to be held within the three following business days, including on the agenda items to be considered at the meeting.
2. The board of directors will be called by individual notice, stating the agenda for the meeting in sufficient detail. This notice will be sent by fax, e-mail or letter to each of the directors, at least 5 days in advance of the date contemplated for the meeting, unless, in the judgment of the chairman, the urgency of the matters to be considered requires an urgent call, which may be made by telephone, fax, e-mail or any other remote means, sufficiently in advance to allow the directors to fulfil their duty to attend. Unless the board of directors meets or has been exceptionally called for reasons of urgency, the chairman, with the collaboration of the secretary, will see to it that the directors have the information necessary to deliberate and adopt resolutions regarding the matters to be dealt with sufficiently in advance.

When, exceptionally, by reason of urgency, the chairman wishes to submit decisions or resolutions not appearing on the agenda for approval of the board of directors, express prior consent of the majority of the directors present will be required, with that consent to be reflected in the minutes.

Directors may seek such additional information as they deem to be necessary regarding matters within the competence of the board. Information requests must be made to the chairman or secretary of the board.



For purposes of both call of the board and any communication with directors, the e-mail address the director provides to the Company of the time of accepting the position will apply, the director being required to notify the Company of any change in this regard.

3. The board of directors will be understood to be validly constituted at the place stated in the call. The board also may validly meet without need of a call if the holding of the meeting is unanimously accepted by those present in person or by proxy.
4. Without prejudice to the foregoing, the board may meet by videoconference, multiple telephone conference or such comparable means as may exist in the future, or in multiple rooms simultaneously, provided that interactivity and intercommunication among the various sites is assured in real time by audio-visual or telephonic means and, therefore, there is unity of action, unless 4 directors state their opposition to use of such means. In this case, the call will state the connection system and, if applicable, the places where the necessary technical resources will be available for attendance at and participation in the meeting. Under these circumstances resolutions will be deemed to have been adopted at the corporate headquarters.
5. If no director opposes so doing, the board of directors also may adopt its resolutions in writing (including by fax or e-mail prior and subsequent to the sending of the original by mail), without need of a physical meeting. In this case, the directors may send their votes and the matters they wish to have included in the minutes by e-mail.
6. Agendas for meetings will clearly indicate those points in respect of which the board of directors must adopt a decision or resolution, so that the directors may, in advance, study or collect the information necessary for adoption thereof.

#### **ARTICLE 18. BOARD MEETINGS**

1. There will be a quorum for a board meeting when at least one half plus one of the board's members are present in person or by proxy.

The directors will do everything possible to attend meetings of the board. When they cannot do so in person, they will arrange to grant voting proxies to another member of the board. Proxies will be granted for the purpose of the board meeting to which they refer and, where possible, with instructions and may be notified by any of the means provided for in the second section of the previous article, although non-executive directors may only grant a proxy to another director under applicable law.

2. The chairman will organise the debate, seeking and promoting participation of all directors in the deliberations of the body, ensuring their free adoption of positions and statement of opinions.
3. Any person invited by the chairman may attend meetings of the board.

**ARTICLE 18 BIS. EVALUATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES AND EVALUATION OF THE PERFORMANCE OF THEIR DUTIES BY THE PRESIDENT**

1. The full board of directors annually will evaluate and, shall adopt, where applicable, an action plan correcting deficiencies identified in respect of:
  - a) The quality and efficiency of the functioning of the board of directors.
  - b) The functioning and composition of its committees.
  - c) Diversity in the composition and authority of the board of directors.
  - d) The performance of the chairman of the board of directors and, if applicable, the Company's chief executive.
  - e) The performance and contribution of each director, paying special attention to those responsables of the various committees of the board.
2. The chairman will organise and coordinate the periodic evaluation of the board with the chairmen of the audit and compliance and appointments committees.
3. In the evaluation of the various committees of the board the starting point will be the report submitted by it to the board of directors.
4. For evaluation of the performance of the duties of the chairman and, if applicable, the Company's chief executive, the starting point will be the report submitted by the appointments committee to the board of directors. The evaluation of the chairman of the board will be directed by the coordinating independent director.
5. At least every three years the board will be assisted in the evaluation by an external consultant, the independence of which will be verified by the appointments committee.

The business relationships maintained by the consultant or any company in its group with the Company or any company in its group must be itemised in the annual corporate governance report.

The process and the areas evaluated will be described in the annual corporate governance report.

**ARTICLE 19. ADOPTION OF RESOLUTIONS**

Resolutions of the board of directors will be adopted as provided in the bylaws. Each board member has one vote.

**ARTICLE 20. BOARD OF DIRECTORS MINUTES**

1. The minutes of the board of directors meeting will be prepared by the secretary of the board and, in his absence, by the assistant secretary, if any. In their absence the minutes will be prepared by the person appointed by those in attendance as the secretary for the meeting.
2. The minutes will be approved by the board itself, at the end of the meeting or at the immediately following meeting.

3. The chairman, chief executive officer and secretary of the board will be permanently authorised, jointly and severally, to arrange for attestation as public documents of the resolutions of the board of directors, all without prejudice to the express authorisations contemplated in the applicable regulations.

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

##### **ARTICLE 21. APPOINTMENT, REELECTION AND RATIFICATION OF DIRECTORS. APPOINTMENT OF MEMBERS OF BOARD COMMITTEES. APPOINTMENT TO POSITIONS ON THE BOARD AND ITS COMMITTEES**

1. Directors will be appointed, re-elected or ratified by the general meeting or by the board of directors, as applicable, in accordance with the provisions of applicable law, the bylaws and these regulations.
2. In particular, the board of directors may appoint directors by co-option to fill vacancies occurring during the terms for which directors were appointed. Directors appointed by co-option will temporarily serve until the date of the first general meeting immediately following that appointment by co-option, inclusive, which may ratify the appointment thereof so that the appointment as a director will become final. In any event, directors appointed by co-option will, from the date of their appointment, have the same rights and duties as directors appointed directly by the general meeting.

Directors appointed by co-option will immediately cease to act as such if the first meeting after their appointment does not ratify the appointment. Also, if there is a vacancy after the general meeting is called and before it is held, the board of directors may appoint a director until the holding of the following general meeting.

3. Proposals for appointment, re-election and ratification of directors submitted by the board of directors to consideration of the general meeting, and appointment decisions adopted by the board itself by virtue of the co-option authority granted thereto correspond to the appointments committee, in the case of independent directors, and the board itself, in the case of other directors, and in turn must be preceded by the corresponding explanatory report of the board evaluating the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the general meeting or of the board itself.
4. In the selection of one who is to be proposed for a director position it will be ensured that it is a person of high commercial and professional integrity, competence, standing and experience in the financial sector and that the proposed director is willing to exercise good governance of the Company, in accordance with the provisions of the regulations applicable thereto.
5. The persons appointed as directors must satisfy the conditions required by law or the bylaws, at the time of taking office formally covenanting to fulfil the obligations and duties contemplated therein and in these regulations.
6. If a legal person is appointed as a director, it will be necessary for it to appoint a single physical person for the permanent exercise of the functions inherent in the position. Revocation of its representative by the legal person that is a director will not be effective until

the replacement individual is appointed. Also, the proposal of the representative physical person must be submitted to a report of the appointments committee.

The physical person appointed for the permanent exercise of the functions inherent in the position of an administrator that is a legal person must satisfy the same requirements of suitability and will be subject to the same scheme of disqualification and the same duties and will be jointly and severally liable with the administrator that is a legal person.

7. There is no age limit for appointment to or serving in this position
8. For purposes of providing new directors with knowledge of the Company and its corporate governance rules they will be provided with an orientation and support programme, without prejudice to the fact that the Company may, when the circumstances make it advisable, establish refresher programmes for the directors.
9. In the selection of directors, technical advice of an external expert regarding the matter may be used.

#### **ARTICLE 22. TERM OF OFFICE**

1. The directors will serve for a term of four (4) years, for so long as the general meeting does not resolve to dismiss or remove them and they do not resign their positions. The foregoing is understood to be without prejudice to the provisions of Article 21 regarding directors appointed by co-option.
2. The appointment of the directors will lapse when, the term having concluded, the following general meeting has been held or the legal term for calling the meeting that is to resolve on approval of the accounts for the preceding financial year has passed.
3. Directors may be re-elected one or more times for periods of four (4) years.

#### **ARTICLE 23. REMOVAL OF DIRECTORS**

1. Directors will cease to serve as such when the term for which they were appointed elapses, when so decided by the general meeting or when they are to resign.
2. When, by reason of resignation or otherwise, a director leaves office before the end of his term, he will explain the reasons in a letter that will be sent to all members of the board of directors. The reason for leaving office will be reported in the annual corporate governance report.
3. In the event that the board of directors proposes the removal of any external director before the end of the bylaws term for which the director was appointed, the proposal must be motivated and have the corresponding report of the appointments committee. The board of directors will not propose the removal of any independent director before the expiry of that director's tenure as mandated by the bylaws, except where just cause is found much appreciated by the board of directors, after a report from the appointments committee. The removal of independent directors may also be proposed when a takeover bid, merger or

similar corporate transaction produces changes in the capital structure of the Company, in order to meet the proportionality criterion referred to in the good corporate governance recommendations.

4. Without prejudice to the foregoing, directors will place their charge 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 subject to any of the grounds of incompatibility or prohibition or unsuitability contemplated by law.
- b) When they are tried for or accused of alleged criminal offenses or subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities.

For these purposes, any director of the Company must advise the board of directors of the existence of circumstances that could be detrimental to the credit and reputation of the Company, in particular of criminal actions in which the director is an accused, as well as subsequent procedural developments.

If a director is indicted or tried for any of the crimes indicated in Article 213 of the Corporations Act, the board will examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not it is appropriate for the director to remain in the position.

- c) When they are seriously admonished by the audit and compliance committee for violating their duties as directors.
  - d) When their remaining as directors could present a reputation risk to the interests of the Company.
  - e) When they leave the positions, offices or functions with which their appointments as executive directors were associated.
  - f) In the case of proprietary directors, when the shareholder at whose behest they were appointed fully transfers the interest it had in the Company or reduces it to a level that requires reduction of the number of its proprietary directors.
  - g) In the case of independent directors, when for supervening reasons they fail to satisfy the conditions imposed in order to be considered independent directors.
5. If an physical representative of a legal person that is a director is subject to any of the circumstances contemplated in the preceding section, it will be disqualified from exercising that representation.

**ARTICLE 24. PROCEDURE FOR REMOVAL OR REPLACEMENT OF MEMBERS OF THE BOARD OF DIRECTORS OR ITS COMMITTEES AND FROM POSITIONS ON THOSE BODIES.**

1. In the event of removal, notice of resignation, incapacity or death of members of the board or its committees or removal or notice of resignation of the chairman of the board of directors or the chief executive officer and those in other positions on those bodies, on request of the chairman of the board or, in the absence thereof, on request of one directors, the appointments committee will be called to examine and organise the process of succession or

replacement on a planned basis and formulate the corresponding proposal to the board of directors. This proposal will be sent communicated to the executive committee and thereafter to the next meeting of the board of directors.

2. In relation to the succession of senior managers, the board of directors, after a report from the appointments committee, will establish the applicable procedure, at all times ensuring that the process of succession or replacement proceeds in a planned manner.

**ARTICLE 25. OBJECTIVITY OF VOTES**

The directors affected by proposed appointments, re-elections or dismissals will refrain from participating in deliberations and votes dealing with them.

**CHAPTER VII. INFORMATION PROVIDED TO DIRECTORS****ARTICLE 26. INFORMATION AND INSPECTION AUTHORITY**

1. Directors have a duty to demand, and a right to request, from the Company all the information they need in order to perform their obligations and have the broadest authority to seek information on any aspect of the Company, to examine its books, records, documents and other evidence of the Company's transactions, and to inspect all its facilities.
2. In order not to interfere with ordinary management of the Company, exercise of information rights will be channelled through the chairman or secretary of the board of directors. They will respond to director inquiries by providing the information directly, making the appropriate spokesmen within the organisation available as appropriate, or arranging for appropriate on-site review and inspection.
3. The chairman or secretary may refuse information if they consider that: (i) the information is not necessary for the proper performance of the director's functions; (ii) the cost of the information is unreasonable given the importance of the problem and the Company's assets and revenue; or (iii) the requested technical assistance may be adequately provided by Company experts and technicians.

**CHAPTER VIII. DIRECTORS' REMUNERATION****ARTICLE 27. REMUNERATION OF DIRECTORS**

1. The director's position is remunerated.
2. The remuneration of directors will consist of a fixed periodic amount for attendance at meetings of the board of directors and its committees, without prejudice to reimbursement of the corresponding expenses. The maximum amount of annual remuneration of all the directors in their capacities as such must be approved by the general meeting and will remain in effect until modification thereof is approved. The fixing of that amount, its distribution among the various directors and the frequency of receipt thereof will correspond to the board of directors, For this purpose the board of directors will take into account of the

functions and responsibilities given to each director, the director's membership on board committees and the other objective circumstances deemed to be relevant.

3. Directors performing executive functions within the Company, whatever the nature of their legal relationship therewith, will further be entitled to receive remuneration for the performance of these functions, to be determined by the board of directors on proposal of the remuneration committee, in accordance with the bylaws and the remuneration policy approved by the general meeting, comprised of (a) a fixed part, appropriate to the services and responsibilities assumed; (b) a variable part, correlated with some indicator of the performance of the director or the business; (c) an assistance part, covering the appropriate insurance and welfare systems; (d) an indemnification in the event of separation or any other form of termination of the legal relationship with the Company not owing to breach attributable to the director; and (e) the monetary amounts deriving from exclusivity, post-contractual non-competition and minimum term or loyalty clauses, if any, appearing in the contract. The aforesaid remuneration will be included in a contract to be entered into between the director and the Company, which must be approved by the board of directors with the favourable vote of two thirds of its members, and must be attached as an annex to the minutes of the meeting. The affected director must refrain from attendance, deliberation and participation in voting. The director may not receive any remuneration for the performance of executive functions the amounts or categories of which are not contemplated in the contract.

Determination of the amount of the remuneration items comprising the fixed part, the manner of configuring and indicators for calculation of the variable part, the assistance provisions, and the indemnification or the criteria for calculation thereof, also corresponds to the board of directors.

In any event, the remuneration of members of the management bodies of the Company will be in accordance with the provisions regarding this matter contained in corporate and banking regulation.

4. In any case, non-executive directors of the Company who receive any remuneration by reason of membership on any management body of the entity that is the majority shareholder of the Company<sup>1</sup>, or have an employment or senior management contract with that entity, will not be entitled to receive any remuneration by reason of their positions as directors of the Company, except for reimbursement of their expenses.

In addition, executive directors of the Company who receive any remuneration by reason of performance of executive functions for the entity that is the majority shareholder of the Company will not be entitled to receive any remuneration for their executive functions within the Company, except for reimbursement of their expenses.

The executive directors of the Company, if any, will not be entitled simultaneously to receive remuneration in the form of per diems by reason of their membership on any management body of the entity that is the majority shareholder of the Company.

5. Additionally, directors performing advisory functions other than the supervision and collegial decision-making inherent in their positions as directors, whatever the nature of their

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<sup>1</sup> Specifically BFA, Tenedora de Acciones S.A.U.

relationship with the Company, will be entitled to receive such employment or professional remuneration, fixed or variable, in cash or in kind as, by resolution of the board of directors of the Company, is appropriate for the performance of such functions.

6. The Company will secure civil liability insurance for its directors on the usual terms commensurate with the circumstances of the Company.
7. In addition, independently of the remuneration contemplated in the preceding paragraphs, it is contemplated that remuneration systems may be established that are indexed to the stock market price of shares or involve delivery of shares or options on shares in favour of directors. These cases will require a resolution of the general meeting, which must include the maximum number of shares that can be allocated to this remuneration system each financial year, the exercise price or the calculation system for the exercise price of the share options, the value of the shares taken by way of reference if applicable, and the term of duration of the remuneration plan.

Also, and prior compliance of the legal requirements, similar remuneration systems may be established for personnel (whether or not management personnel) of the Company.

8. The board shall ensure that the remunerations of the directors meets criteria of moderation and adaptation with the results of the company. In particular, it will see to it that the remuneration of external directors is sufficient to compensate them for the dedication, qualification and responsibility required to serve in the position.
9. The general meeting of the Company, at least every three (3) years, as a separate point on the agenda, will approve the director remuneration policy, which will be adapted as applicable to the remuneration system set forth in the bylaws, on the terms contemplated by law. The proposal of the aforesaid remuneration policy must attach a report of the remuneration committee.

In addition, on an annual basis the remuneration policy will be subject to central and independent internal evaluation, to verify compliance with the remuneration procedures and guidelines adopted by the board of directors.

The board of directors of the Company periodically will review and adopt the general principles of the remuneration policy and will be responsible for monitoring its implementation.

#### **ARTICLE 28. REPORTING ON REMUNERATION**

1. The board of directors annually must prepare and publish a report on director remuneration, including the remuneration they receive or are to receive in their capacity as such and, if applicable, for the performance of executive functions, making it available to the shareholders upon call of the ordinary general meeting so the meeting may vote thereon, on an advisory basis.

In any event the report at a minimum will include complete, clear and understandable information on the Company's director remuneration policy applicable for the year in course. It also will include the overall summary of how the remuneration policy was applied during



the closed financial year, as well as details of the individual remuneration earned in all categories by each of the directors during that financial year. This report must be a separate point on the agenda. The content of the report will be adapted to the provisions of law.

2. If the annual report on director remuneration is rejected by the consultative vote of the ordinary general meeting, the remuneration policy applicable for the following year must be submitted to approval of the general meeting prior to its application, even if the aforesaid term of three (3) years has not elapsed.
3. The remuneration received by each director will be individually reported in the annual report, stating the amount corresponding to each category of remuneration. Also shall be entered in memory, on an individual basis and for each of the concepts, the remuneration corresponding to the executive tasks entrusted to the executive directors of the company.

#### **CHAPTER IX. DUTIES OF DIRECTORS**

##### **ARTICLE 29. GENERAL OBLIGATIONS OF DIRECTORS**

In the performance of their duties, directors will act with the care of prudent businessmen and the loyalty of faithful representatives.

##### **ARTICLE 30. GENERAL DUTY OF CARE**

1. Directors will exercise their office and perform the duties imposed by law and the bylaws with the care of prudent businessmen, in line with the nature of their office and the functions assigned to each one of them.
2. Directors will have sufficient dedication and will take the necessary measures to ensure proper management and control of the Company.
3. In performing their functions, directors have a duty to demand and a right to request from the Company all the information they need in order to perform their obligations.
4. Within the framework of their duty of care, directors are obliged, in particular, to:
  - a) Review and prepare appropriately for meetings of the board and of any board committees of which they are members.
  - b) Attend the meetings of the bodies of which they are members and participate actively in deliberations, so that their judgment contributes effectively to decision making.

If a director is unable, for good reason, to attend a meeting to which he has been called, he will, as far as possible, give instructions to the director who is to represent him.
  - c) Perform any specific task assigned to them by the board of directors that is reasonably within their time commitment.
  - d) Investigate any irregularity in the management of the Company of which they have learned and monitor any risk situation.

- e) Inform the appointments committee about their other obligations, so as to ensure that those other obligations do not interfere with the commitment required of them.
5. In relation to strategic and business decisions subject to business judgement, the duty of care will be deemed met if a director has acted in good faith, with no personal interest in the matter to be decided, with sufficient information, and within the framework of a proper decision-making procedure.

The scope of business judgement will not be considered to include decisions that personally affect other directors and related parties.

**ARTICLE 31. DUTY OF LOYALTY**

1. Directors must exercise their office with the loyalty of a faithful representative, acting in good faith and in the best interest of the Company. In particular, the duty of loyalty requires that directors:
- a) Not use their authority for any purposes other than those for which it has been granted.
  - b) Keep secret all information, data, reports or records to which they may have access in the performance of their duties, even after they have left office, except where permitted or required by law.
  - c) Refrain from deliberating or voting on resolutions or decisions in which they, or persons related to them, have a direct or indirect conflict of interest. Resolutions or decisions that affect a director as such, such as those concerning a director's appointment to or removal from positions on the board or other such decisions, are excluded from the abovementioned obligation to refrain.
  - d) Take the necessary steps to avoid falling into situations in which their own interests or those of other persons conflict with the interests of the Company and their duties to the Company.
  - e) Perform their functions in accordance with the principle of personal responsibility, exercising their own judgment, independently of any instructions from or ties to third parties.

**ARTICLE 32. DUTY TO PREVENT CONFLICTS OF INTEREST**

1. In particular, the duty to prevent conflicts of interest referred to in paragraph d) of the previous article places an obligation on directors:
- a) Not to enter into transactions with the Company, unless they are small-scale, ordinary transactions carried out on the standard terms for customers, that is to say, transactions that do not need to be reported in order to give a true and fair view of the Company's assets and liabilities, financial position and results of operations.
  - b) Not to use the Company's name or their status as directors to unlawfully influence the execution of private transactions.
  - c) Not to use the Company's assets, including confidential information, for private ends.

- d) Not to exploit the Company's business opportunities for their own benefit.
  - e) Not to seek advantages or remuneration from parties other than the Company and its group through the performance of their duties, unless the advantages or remuneration consist of mere business courtesies.
  - f) Not to carry on activities for their own account or on behalf of others that actually or potentially bring them into competition with the Company or that in any other way place them in permanent conflict with the interests of the Company.
- 2. The above provisions will also apply if the beneficiary of the prohibited actions or activities is a person related to a director.
  - 3. In any case, directors will notify the board of directors of any direct or indirect conflict which they themselves or persons related to them may have with the interests of the Company.  
For these purposes, persons related to directors will be deemed to be those indicated in article 231 of the Corporations Act.
  - 4. Directors' conflicts of interest will be reported in the annual report.

#### **ARTICLE 33. WAIVERS SCHEME**

- 1. In particular cases, the Company may waive the prohibitions stated in the previous article, authorising a director or a person related to a director to enter into a certain transaction with the Company, use certain Company assets, exploit a particular business opportunity, or obtain an advantage or remuneration from a third party.
- 2. Where the waiver concerns the prohibition of obtaining an advantage or remuneration from a third party or affects a transaction for an amount that exceeds ten percent of the Company's assets, any such authorisation must be approved by the general meeting.
- 3. The obligation not to compete with the Company may only be waived if no harm is expected to result for the Company or if any foreseeable harm is likely to be outweighed by the benefits that are expected to be obtained from the waiver. The waiver will be granted by express, separate resolution of the general meeting.
- 4. In other cases, the authorisation may also be granted by the board of directors, subject to a report by the audit and compliance committee, provided the independence of the members who grant the waiver with respect to the director who benefits from it is guaranteed. Steps must also be taken to ensure that the authorised transaction has no harmful impact on the Company's assets and liabilities or, where applicable, that it is entered into on an arm's length basis and with full transparency.

#### **ARTICLE 34. DIRECTORS' DUTY OF DISCLOSURE**

A director also must advise the Company of all positions the director holds and the activities it engages in in other companies or entities, and in general of any fact or situation that may be relevant to its role as a director of the Company. In order to facilitate compliance with and

supervision of this duty, the directors will make a first declaration of positions and activities at the time of taking office, which declaration must be updated immediately in the event of a change in any of the situations declared or if any such situations cease to exist or others appear.

**ARTICLE 35. RELATED PARTY TRANSACTIONS**

1. Without prejudice to the provisions of the preceding articles, the board will review transactions the Company engages in, directly or indirectly, with directors, shareholders or persons related to them. Engaging in such transactions will require authorisation of the board, after a favourable report from the audit and compliance committee. The aforesaid transactions will be evaluated from the point of view of equal treatment and market terms, and will be included in the periodic public reporting on the terms contemplated in applicable regulations.
2. There will be no obligation to advise the board, or seek the authorisation contemplated in the preceding section, in the case of transactions with shareholders that simultaneously satisfy the following three conditions:
  - a) they are pursuant to contracts the terms of which are basically standardised and customarily are applied to customers contracting for the type of product or service in question;
  - b) they are at prices or tariffs established on a general basis by the one acting as the supplier of the goods or services in question or, when the transactions relate to goods or services for which there are no established tariffs, they are on customary market terms, comparable to those applied in commercial relationships maintained with customers having similar characteristics; and;
  - c) the amount is no more than 1% of the Company's annual revenue.
3. Transactions with directors in any event will be subject to the authorisation referred to in this article, except in the case of credit, loan or guarantee transactions the amount of which is not more than the amount determined by the board of directors, simultaneously satisfying conditions (a) and (b) as set forth in section above.
4. By way of exception, when urgency makes it advisable, related party transactions may be authorised by the executive committee, with subsequent ratification of the board.
5. A director violates his duty of loyalty to the Company if, with prior knowledge, he allows or does not disclose the existence of transactions related thereto, undertaken by the persons indicated in Article 32.1 of these regulations, that have not been submitted to the conditions and controls contemplated in this article.

**CHAPTER X. THE BOARD'S RELATIONS****ARTICLE 36. RELATIONS WITH THE MARKETS**

1. The board of directors will advise the public immediately regarding

- a) Material disclosures capable of appreciably influencing the stock market price of the Company's share.
  - b) Changes materially affecting the shareholding structure of the Company.
  - c) Substantial changes in the rules of governance of the Company.
  - d) Related party transactions of particular importance with board members.
  - e) Treasury share transactions that have special relevance.
2. The board will adopt the measures necessary to guarantee that quarterly, semi-annual and any other financial information that is disclosed to the markets is prepared in accordance with the professional practices, principles, criteria and policies as the annual financial statements and is equally reliable. In this regard, the audit and compliance committee will report in advance to the board of directors on the financial information the Company is to publish periodically before it is disseminated.
  3. The board of directors annually will prepare and publish a corporate governance report, in accordance with the provisions of law.
  4. The following information regarding directors will be made public and updated on the Company's website:
    - a) Biographical and professional profile.
    - b) Other boards of directors to which they belong, whether or not listed companies, as well as the other compensated activities they engage in, whatever their nature.
    - c) Indication of the category to which the director belongs, in the case of external proprietary directors indicating the shareholder represented or with which the director has ties.
    - d) The date of his first appointment as a director, as well as subsequent re-elections.
    - e) Shares held in the Company and any options thereon held thereby.
  5. The board of directors will define, promote and publish on its website a policy for communication with shareholders, institutional investors and voting advisors that is fully consistent with the rules against market abuse and gives similar treatment to shareholders that are in the same position.

#### **ARTICLE 37. RELATIONS WITH SHAREHOLDERS**

1. The board of directors will promote communication of the Company with its shareholders. Thus, with the assistance of any of the directors and/or members of senior management deemed to be appropriate, it will promote informational meetings regarding the progress of the Company with shareholders residing in the most important markets, in Spain and other countries. In no case will these meetings with shareholders include delivery thereto of any information that could give them a privilege or advantage over other shareholders.

2. The directors periodically will be informed of movements in shareholdings and the opinions held by significant shareholders, investors and rating agencies regarding the Company and its Group.
3. The board of directors will arrange for informed participation by shareholders in general meetings and will take appropriate measures to enable the general meeting effectively to exercise the functions assigned to it by law and the bylaws.
4. In addition, the board of directors will keep an updated Company website available to shareholders, in accordance with current regulations, on which the information that is required by law, the bylaws and regulations will be accessible. The report on the independence of the outside auditor, the reports on the functioning of the audit and compliance committee, the appointments committee and the remuneration committee, the report of the audit and compliance committee on related party transactions, the corporate social responsibility policy and the reports thereon will be published on the website sufficiently in advance of the holding of the general meeting. On its website the Company will publish the requirements and procedures it will accept to evidence ownership of shares, the right of attending the general meeting and the exercise or delegation of voting rights.

#### **ARTICLE 38. RELATIONS WITH INSTITUTIONAL SHAREHOLDERS**

1. The board of directors will establish mechanisms for the regular sharing of information with institutional investors who are among the Company's shareholders.
2. The relations between the board of directors and institutional shareholders may not result in delivery to such shareholders of information that could give them a privilege or advantage over other shareholders.

#### **ARTICLE 39. RELATIONS WITH THE STATUTORY AUDITOR**

1. The relations of the board of directors with the statutory auditor of the Company will be undertaken through the audit and compliance committee.
2. The audit firm will not be engaged for services other than audit that could compromise the independence thereof.
3. The board of directors will publicly report the overall fees that the Company has paid to the audit firm other than for audit services.
4. The board of directors will arrange for preparation of the accounts in a manner that will not result in qualifications by the statutory auditor. Nevertheless, when the board believes it must maintain its position, it will, through the chairman of the audit and compliance committee, publicly explain the substance and scope of the difference and, also, will arrange for the statutory auditor also to state its comments in this regard.

**TRANSITIONAL PROVISION.**

Directors appointed before 1 January 2014 may complete their current terms even if they exceed the maximum duration set forth in Article 22 of these regulations.

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