



# RULES OF THE BOARD OF DIRECTORS OF THE COMPANY CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (CAF)

TRANSPORT SYSTEMS  
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*The following English translation is provided by the Company for information purposes only, based on the original and official document in Spanish available on the Company's website. In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.*

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## **CHAPTER I. INTRODUCTION**

### **Article 1. Purpose.**

The purpose of these Rules is to establish the action principles of the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (the "**Company**"), the basic rules of its organization and the code of conduct of its members.

### **Article 2. Construction.**

These Rules will be construed in accordance with the applicable legal and statutory standards in force at any time.

### **Article 3. Amendments.**

1. These Rules can only be amended at the request of the Chairman or of at least three Directors, or of any of the Committees, which must accompany the proposal with the relevant justification.
2. The text of the proposal must be attached to the call notice of the Board meeting that must deliberate on the matter in question.
3. For an amendment of these Rules to be valid, an agreement must be reached by a majority of two thirds of the Directors attending or represented at the session, unless the amendments have been imposed by mandatory regulation.

### **Article 4. Dissemination.**

1. Directors are obliged to be aware of, meet and enforce these Rules. To this end, the Secretary of the Board will provide them all with a copy of the Rules.
2. The Board of Directors will adopt the appropriate measures to ensure that the Rules are distributed amongst the shareholders and the investing public in general, to which effect these Rules must be notified to the National Stock Market Commission, recorded in the Commercial Registry and published on the corporate website of the Company, pursuant to the applicable standards.

## **CHAPTER II. FUNCTIONS AND MISSION OF THE BOARD**

### **Article 5. Functions and Competencies of the Board of Directors.**

1. Except for the issues exclusively reserved for the General Shareholders' Meeting, the Board of Directors is the competent body to adopt agreements regarding all kinds of matters that make up the corporate purpose.
2. The Board of Directors dedicates its activity to defining and supervising the strategic guidelines of the Company and its Group, with the ordinary management and direction of the Company corresponding to the management team.

3. Notwithstanding any delegated matters, the Board shall deal, in addition to the matters specifically listed in the Rules, with all of the relevant matters of the Company and is specifically obliged to directly exercise the following responsibilities, which cannot be delegated:
- a. Supervision of the effective operation of the Committees that the Board may have created, as well as of the proceedings of the delegated bodies and of the managers it would have appointed.
  - b. The definition of the general policies and strategies of the Company and its Group.
  - c. The authorization or waiver of the obligations resulting from the duty of loyalty pursuant to Law and in the present Rules.
  - d. Its own organization and operation.
  - e. Preparation of the annual accounts and their presentation to the General Shareholders' Meeting.
  - f. The formulation of any type of report required by Law to the Board of Directors, if the operation it relates to cannot be delegated.
  - g. Appointment and dismissal of the Managing Directors of the Company, as well as the establishment of the terms and conditions of their contracts.
  - h. The appointment and dismissal of the directors directly depending on the Board of Directors or of any of its members, as well as the establishment of the basic terms and conditions of their contracts, including their remuneration.
  - i. Decisions related to the remuneration of the Directors, within the statutory framework and the remuneration policy approved by the General Shareholders' Meeting.
  - j. The call of the General Shareholders' Meeting and the preparation of the agenda and the draft agreements.
  - k. The policy regarding the treasury shares.
  - l. The approval of the strategy or business plan, the management objectives and the annual budget, the investment and financing policy, the environmental, sustainability and the dividends policy.
  - m. The determination of the risk assessment and management policy, including tax risks, and the monitoring of internal information and control systems.
  - n. The determination of the corporate governance policy of the Company and of the group that it is the parent of and in particular, the approval and modification of its own Rules.
  - o. The approval of the financial information the Company must publish periodically as a listed company, in addition to the supervision of the process of the preparation and presentation of the financial information and management report, which shall include, when applicable, the relevant non-financial information.
  - p. The definition of the structure of the corporate group that the Company is the parent of.

- q. The approval of any investments or transactions which, given their significant amount or special characteristics have a strategic nature or special tax risk, unless their approval corresponds to the General Shareholders' Meeting.
  - r. The approval of the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Company and its group.
  - s. The approval, following a report from the Audit Committee, of transactions of the Company or companies in its group that are considered to be Related-Party Transactions, unless their approval corresponds to the shareholders in a General Meeting and without detriment to the possibility of delegation by the Board in the cases and under the terms established by law and in these Rules.
  - t. The determination of the tax strategy of the Company.
  - u. The powers that the General Shareholders' Meeting would have delegated on the Board of Directors, unless it would have been expressly authorized by the General Shareholders' Meeting to sub-delegate them.
4. Under urgent and duly justified circumstances, decisions regarding the matters between letters (l) and (t) (both inclusive) of the previous section, may be made by the delegated bodies or persons, but must be ratified at the first meeting of the Board of Directors held after the decision is made.
5. The Board of Directors must conduct an evaluation of how it functions and how its Committees function and, based on the results thereof, propose an action plan to remedy the deficiencies detected. The results of the evaluation will be recorded in the minutes of the session or will be included as an appendix.

**Article 6. Creation of Value for the Shareholder and other interests.**

1. The Board of Directors shall carry out its functions with unity of purpose and independence of mind, it shall treat all shareholders in the same position equally and shall be guided by the company's interest, understood as the achievement of a profitable and sustainable business in the long term, which promotes its continuity and the maximization of the Company's economic value for the shareholder for which purpose the Board will determine and review the Company's business and financial strategies.
2. In the pursuit of the social interest, in addition to respect for laws and regulations, and conduct based on good faith, ethics and respect for commonly accepted customs and good practices, the Board of Directors shall endeavor to reconcile its own social interest with, as appropriate, the legitimate interests of its employees, suppliers, customers and other stakeholders that may be affected, as well as the impact of the Company's activities on the community as a whole and on the environment.

3. Within the scope of the corporate organization, the Board of Directors shall adopt the necessary measures in order to guarantee:
  - a. That Company's general management seeks to create value for its shareholders and has the adequate resources to do so.
  - b. That Company's general management is under the effective supervision of the Board of Directors.
  - c. That no person or reduced group of persons have decision-making powers which are not subject to counterbalances and controls.
  - d. That no Shareholder receives a privileged treatment compared to other shareholders.

### **CHAPTER III. BOARD COMPOSITION**

#### **Article 7. Composition.**

1. The Board of Directors will consist of the number of Directors determined by the General Shareholders' Meeting, within the limits established by the Company's Articles of Association, as applicable.
2. The Board of Directors shall propose to the General Shareholders' Meeting the number which, according to the circumstances of the Company at each given moment, deems most suitable to ensure the appropriate representation and efficient operation of the Body. The proposed number will be not less than seven and will never exceed fifteen.
3. In exercising its powers of proposal to the General Shareholders' Meeting and of co-optation to fill vacancies, the Board of Directors shall ensure a balanced composition, with a substantial majority of non-executive Directors and an adequate proportion between dominical and independent Directors, with the latter representing at least one third of the Directors.

To this regard, Executive Board Members will be considered as those who are Managing Directors and those who, not holding said position, have management responsibilities within the Company or its group, regardless of the legal bond they have with it.

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

#### **Article 8. The Chairman of the Board.**

1. The Chairman of the Board of Directors will be appointed from amongst its members, following a report from the Appointments and Remuneration Committee. If this role is vested with executive functions, the Board of Directors must decide on the matter and agree on the content of the relevant delegation of powers with a favorable vote from two thirds of its members.
2. The Chairman is the ultimate representative of the Company and manages the Company's institutional relationships. He also bears the overall responsibility for the efficient operation of the Board of Directors and, in

addition to the functions provided for by Law, the Articles of Association and these Rules, he has the following duties:

- a. To call the Board of Directors and draw up the agenda for its meetings, having consulted with the Managing Director. However, the Chairman must call the Board and include in the agenda the corresponding relevant matters when so requested by at least one third of the Directors.
  - b. Submit to the Board of Directors a program of dates and issues to be discussed.
  - c. Ensure that Directors receive sufficient information in advance to discuss the items on the agenda.
  - d. Chair the sessions and direct and encourage debate, ensuring that sufficient discussion time is devoted to strategic issues, as well as ensuring the active participation of Board members during the sessions, safeguarding their free positioning, granting and withdrawing the right to speak to Board members and others who may have been summoned to attend, declaring debates concluded, submitting any debated matter to voting and declaring the result obtained, and chairing the General Meeting.
  - e. Organize and coordinate the periodic evaluation of the Board, as well as, if appropriate, that of the Company's top executive.
  - f. To agree and review the training programs for each Director, when circumstances so advise.
3. The Board of Directors, following a report from the Appointments and Remuneration Committee, may appoint one or more Vice-Chairmen, who shall replace the Chairman in the event of a vacancy, impossibility or absence. If a Vice-Chairman has not been appointed, the Chairman shall be replaced by the coordinating Director or, in the absence of the latter, the members of the Board attending the meeting shall appoint someone to act as Chairman of the meeting from among them, by absolute majority of the Directors present and represented at the meeting.
  4. If the Chairman of the Board of Directors is also the Company's top Executive, the Board of Directors, with the abstention of the executive Directors and at the proposal of the Appointments and Remuneration Committee, shall appoint a coordinating Director among the independent Directors, who will be particularly empowered to call the Board of Directors or to include new points in the agenda of a Board Meeting that has already been called, to coordinate and convene the non-executive Directors and to address the Board of Directors' periodic assessment of its Chairman. The coordinating Director will also be empowered to: chair the Board of Directors in the absence of the Chairman and Vice-Chairmen, if any; voice the concerns of non-executive Directors; maintain contact with investors and shareholders to gain insight on their perspectives so as to form an opinion of their concerns, particularly regarding the corporate governance of the Company; and coordinate the Chairman succession plan.

**Article 9. The Secretary of the Board.**

1. The Secretary of the Board of Directors may or not be a Director, as determined by the Board of Directors at each given moment. The Board of Directors will agree on the appointment of the Secretary of the Board of Directors following a report from the Appointments and Remuneration Committee. The same procedure will be followed for the separation of the Secretary. In the event of the impossibility of attendance or absence of the Secretary, the members of the Board attending the meeting shall designate someone to act as Secretary of the meeting from among them, by absolute majority of the Directors present and represented at the meeting.
2. The Secretary shall be responsible for assisting the Board in its duties and shall ensure the Board's proper operation, especially, providing advice to the Directors who may so request.
3. The Board Secretary will discharge the function of the Board's Legal Advisor, provided that the Secretary is a Lawyer.
4. Aside from the roles assigned by Law and the Articles of Association or the present Rules, the Secretary of the Board must perform the following functions:
  - a. Keep the documentation of the Board of Directors, record the progress of the meetings in the minutes book and attest to their content and the resolutions adopted.
  - b. Ensure the Board of Directors' actions meet all applicable standards and are in accordance with the Articles of Association and other internal standards.
  - c. Assist the Chairman so that the Directors receive the relevant information to discharge their roles, sufficiently in advance and in the appropriate format.

**Article 10. Committees of the Board of Directors.**

1. Notwithstanding the individual delegations of powers to the Chairman or to any other Director, if any, and the Board's right to set up an Executive Committee, with whatever decision-making powers granted, there will always be an Audit Committee and an Appointments and Remuneration Committee with informational, advisory and proposal powers in the matters established in the Articles of Association, in these Rules and in its own operating regulations, being able to create any other internal advisory committees when it considers it appropriate for the Company.
2. The Board of Directors might set up a Monitoring and Control Committee whose composition and operating rules are in line with those applicable to the mandatory committees, including:
  - a. That it is constituted exclusively by non-executive Directors, with a majority of independent Directors.
  - b. That it is chaired by an independent Director.
  - c. That the Board of Directors appoints its members with regard to the knowledge, skills and experience of its Directors and each committee's terms of reference; discuss their proposals and reports; and provide



report-backs on their activities and work at the first plenary Board of Directors following each committee meeting, of its activity and that it is accountable for the work done.

- d. That the Commission may engage external advice, when they feel it necessary for the discharge of their functions.
- e. The Meeting proceedings should be minuted and a copy made available to all board members.

**Article 11. The Audit Committee.**

1. The composition, functions and functioning standards of the Audit Committee will be adapted to the provisions stipulated by Law, the Articles of Association, and these Rules of the Board and the Audit Committee Rules.
2. The Audit Committee will consist of at least three and no more than five non-executive Directors appointed by the Board of Directors of the Company, the majority of whom must be independent directors. The members of the Audit Committee as a whole, and in particular its Chairman, will be appointed taking into account their knowledge and experience in accounting, auditing and financial and non-financial risk management, thus bringing together the relevant expertise in relation to the sector of activity to which the Company belongs.
3. The Auditing Committee shall adopt its resolutions with the absolute majority of the Directors attending the meeting, whether present or represented by proxy.

**Article 12. The Appointments and Remuneration Committee.**

1. The composition, functions and operating rules of the Appointments and Remuneration Committee will be adapted to the provisions stipulated by Law, the Articles of Association, these Board Rules and the Rules of the Appointments and Remuneration Committee.
2. The Appointments and Remuneration Committee will consist of at least three and no more than five non-executive Directors appointed by the Board of Directors of the Company. Two of these must at least be independent Directors.
3. The Appointments and Remuneration Committee shall adopt its resolutions with the absolute majority of the Directors attending the meeting, whether present or represented by proxy.

**CHAPTER V. OPERATION OF THE BOARD.**

**Article 13. Meetings of the Board of Directors.**

1. The Board of Directors shall meet at least eight times a year in a regular session with sessions held at least once every quarter.

The Board will also meet at the Chairman's request, as many times as this person deems appropriate for the smooth running of the Company, or when requested by at least one third of the members of the Board, indicating the agenda. Should the Chairman also be the Company's top Executive, the Board of Directors will also meet at the request of the independent coordinating Director.

2. The Board will prepare an annual plan of the ordinary sessions.
3. The convening notification for regular sessions shall be sent via email, or by any other means that provides evidence of receipt, which will be issued by the Chairman or, under his instructions, by the Secretary. The call shall be made at least five days in advance. The call shall always include the meeting's agenda.
4. Once the call has been received, any Director can separately propose other points of the agenda that had not initially been included.
5. When, in an exceptional case, the Chairman wishes to submit decisions or agreements that were not included in the agenda for the approval of the Board of Directors, the express consent of the majority of the Directors attending the meeting must first be provided.
6. Any extraordinary sessions of the Board can be called by telephone and the notice period will not apply, nor will any other requirements indicated in the previous three sections, when, to the Chairman's judgement, the circumstances require a session and the call is immediately confirmed by email or any other means that allows immediate confirmation of receipt.
7. The Board shall also be understood to be validly constituted without prior notice, when all its members are present or represented and unanimously agree to hold the meeting.
8. Agreements can also be adapted in writing and without holding a session, providing the requirements established in corporate legislation are met.
9. Exceptionally, when circumstances so require, meetings of the Board of Directors may be called by multiple telephone call, videoconference or any other remote communication means provided that the identity and participation of those attending in real time is duly guaranteed. In this case, the meeting will be understood to have taken place at the registered office.

In addition, the Chairman of the Board of Directors may authorize the attendance at the meeting of one or more Directors using remote connection systems to duly guarantee the identity and participation of the Directors, who shall be considered for all purposes as attending the meeting of the Board of Directors.

#### **Article 14. Holding of Sessions.**

1. The Board of Directors shall be validly convened when the majority of its members are present or represented at the meeting.
2. Agreements shall be adopted by an absolute majority of the Board members present and represented at the session, without prejudice to other enhanced majorities provided for by law, in the Articles of Association, and in these Rules.
3. Directors shall make their best efforts to attend Board meetings and, when unable to attend a meeting in person, shall delegate their vote to another Director with no restriction on the number of proxies each member may hold to consider the meeting convened. Proxy may be granted in a letter sent to the Chairman of the Board of

Directors, individually for each session, via any means, and shall include the direction of the vote for each of the matters mentioned on the agenda.

4. Non-executive Directors can only designate their representation to another non-executive member.
5. The Chairman will lead the discussion and will aim to encourage the participation of all the Directors in the Board's deliberations.
6. The Board Members shall clearly express their opposition when they consider that any proposed decision submitted to the Board of Directors may be contrary to the company's interests. In particular, in the case of decisions that may be detrimental to shareholders not represented on the Board of Directors, independent Board Members and Board Members who are not affected by the potential conflict of interest must clearly indicate their opposition.

When the Board of Directors adopts significant or reiterated decisions in relation to which a Board Member has expressed serious reservations, he/she shall draw the appropriate conclusions and, if he/she chooses to resign, shall explain the reasons in the letter referred to in Article 18.5 of these Rules.

This shall also apply to the Secretary of the Board of Directors, even if he/she is not a Director.

7. The discussions and resolutions of the Board of Directors shall be recorded in the minutes to be drawn up by the Secretary and approved at the same meeting or at the immediately subsequent one, and signed by the Chairman and the Secretary.

When Directors or the Secretary express concerns regarding a proposal or, in the case of Directors, regarding the company's performance, and such concerns are not resolved at the Board of Directors meeting, at the request of the person expressing them, they shall be recorded in the minutes.

8. The Board of Directors and its Committees meeting minutes shall be available to all members of the Board of Directors.

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

### **Article 15. Appointment of Directors.**

1. Directors shall be designated by the General Meeting or, in the event of an unexpected vacancy, by the Board of Directors, pursuant to the Capital Companies Act and to the Company's Articles of Association.
2. Any proposal for the appointment or re-election of directors submitted by the Board of Directors for the approval of the General Shareholders' Meeting and any appointment agreements made by the Board by co-option shall be preceded by the corresponding proposal by the Appointments and Remuneration Committee, in the case of independent Directors, or by a report from the Board itself in all other cases. Any proposal must be accompanied, in any case, by an explanatory report from the Board, assessing the competence, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Shareholders'

Meeting or to those of the meeting of the Board. The proposal for the appointment or re-election of any non-independent Director must also be preceded by a report from the Appointments and Remuneration Committee.

3. Should the Board decide not to follow the proposals of the Appointments and Remuneration Committee, it shall motivate and keep record of its reasons for such decision.
4. The Board of Directors shall coordinate with the Company's senior management the establishment of an orientation program to provide new Directors with rapid and sufficient knowledge of the Company and its system of corporate governance. Likewise, Directors should also be offered refresher programs when circumstances so advise.

**Article 16. Appointment of external Directors.**

1. When selecting a candidate, the Board of Directors shall attempt to ensure that that person has acknowledged solvency, competence and experience, with special care being taken when selecting persons to hold office as independent Directors.
2. Independent Directors are those who have been appointed in view of their personal and professional qualifications and can carry out their duties without being compromised by their relationships with the Company or its group, its significant shareholders or its managers.
3. Independent Directors shall in no case be designated if:
  - a. They have been employees or executive Directors in group companies, unless 3 or 5 years, respectively, have passed since they ceased to be so.
  - b. They receive any amount or benefit from the Company or its group companies for any reason other than remuneration of their directorship, unless it is insignificant for the Director.

Dividends or pension supplements received by the Director for his/her former professional or labor relationship shall not be taken into account, for the purposes of the paragraph above, insofar as such supplements are unconditional and, therefore, their accrual cannot be discretionally suspended, modified or revoked by the paying company without breach of its obligations.

- c. They are individuals who are or have been in the last 3 years partners to the external auditor or person responsible for the auditing report, whether such period's audit corresponds to the Company or any other group company.
- d. They are executive Directors or senior managers of a different company where an executive Director or senior manager of the Company holds an external Director position.
- e. They are individuals who maintain or have maintained in the last year an important business relationship with the Company or group companies, whether on his/her behalf or as significant shareholder, Director or senior manager of an entity maintaining such relation either at present or in the past.

Business relations will be those of supplier of goods or services, including financial ones, or of advisor or consultant.

- f. They are significant shareholders, executive Directors or senior managers of an entity receiving donations from the Company or its group currently or in the last 3 years.

Mere trustees of a Foundation receiving donations are excluded from this list.

- g. Spouses, individuals with an analogous relationship, or relatives up to the second degree of an executive Director or senior manager of the Company.
- h. Individuals not proposed by the Appointments and Remuneration Committee, whether for appointment or re-election.
- i. Individuals who have been Directors for a continuous period of more than 12 years.
- j. Individuals who, with respect to a significant shareholder or shareholder represented on the Board, meet the conditions of paragraphs a), e), f) or g). In cases of family relationships described under letter g), such restriction shall be applied not only to the shareholder, but also to his/her dominical Directors in the investee company.

- 4. Dominical directors shall be considered to be those who hold a shareholding equal to or greater than that legally considered being significant or who have been appointed because of their status as shareholders, even if their shareholding does not reach that amount, as well as those who represent shareholders of the aforementioned.

Dominical Directors who loose such a title following the sale by the shareholder they represent of their shareholding may only be re-elected as independent Directors when the shareholder they represented up to that moment sold his/her entire shareholding in the Company.

- 5. A Director with Company shares may be an independent Director provided that he/she meets all the requirements pursuant to this Section 3 and, plus, does not hold a significant shareholding.

#### **Article 17. Term of Position.**

- 1. Directors shall stay in office for the term established in the Articles of Association at each given moment.
- 2. If a Director has been co-opted, he/she shall stay in office until the first General Meeting is held, in the applicable legislation terms at each given moment. If the vacancy occurs after the General Meeting has been called and before it is held, the Board of Directors may appoint a Director until the next General Meeting is held.

#### **Article 18. Removal of Directors.**

- 1. Directors removal will occur under the terms of the legislation in force at each given time.

2. Directors must place their position at the disposal of the Board of Directors and formalize, if it deems it appropriate, the corresponding resignation, in the following cases:
  - a. When the specific reasons for which they were appointed disappear, and in particular in the case of a dominical Director, they should tender their resignation when the shareholder they represent sells its entire shareholding or reduces it to a level that requires a reduction in the number of its dominical Directors.
  - b. When they are involved in any of the cases of incompatibility or prohibition provided by law.
  - c. When processed for any alleged criminal offence or when subjected to disciplinary measures for serious or very serious breach determined by supervising authorities.
  - d. When seriously reprimanded by the Board of Directors upon prior report from the Appointments and Remuneration Committee upon breaching of Director's obligations.
  - e. When involved in a situation that raises a conflict of interest with the Company and they violate their duty of disclosure and abstention.
  - f. When the non-competition obligation is not met.
3. Directors must inform the Board and, if appropriate, resign when situations arise that affect them, whether or not they are related to their actions in the Company itself, that could damage the Company's credit and reputation and, in particular, before any criminal case in which they appear as being under investigation, as well as their legal proceedings.

The Board of Directors, having been informed of or otherwise become aware of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, in view of the specific circumstances, will decide, following a report from the Appointments and Remuneration Committee, on the measures to be adopted. All of this shall be reported in the Annual Corporate Governance Report, unless special circumstances warrant it, which shall be recorded in the minutes. Notwithstanding the information that the Company must disseminate, if appropriate, when the corresponding measures are adopted.
4. The Board of Directors shall not propose the dismissal of an independent Director before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board of Directors, based on a proposal from the Appointments and Remuneration Committee.
5. When a Director leaves his/her position before the end of his/her term of office, he/she must sufficiently explain the reasons for his/her resignation or, in the case of non-executive Directors, his/her opinion on the reasons for the removal by the Meeting, in a letter to be sent to all members of the Board of Directors.

#### **Article 19. Voting Secrecy.**

All votes of the Board of Directors concerning the appointment, re-election or dismissal of Directors shall be secret, if so requested by the Chairman or any Director.

## **CHAPTER VII. INFORMATION OF THE DIRECTOR.**

### **Article 20. Information faculties.**

1. The Director may request any necessary information about the Company in reasonable terms, insofar as so required by the performance of his/her duties. The right to information also affects subsidiary companies, whether Spanish or foreign.
2. Unless the Board of Directors has been incorporated, or has been exceptionally called for emergency reasons, the Directors must be sufficiently provided in advance with the information necessary to deliberate on and adopt agreements on the matters to be discussed.
3. In order not to impair the ordinary course of the Company's business, these powers shall be channeled through the Chairman, who shall, in collaboration with the Secretary, address the requests of the Director, either directly disclosing him/her the information, identifying the appropriate persons of the Company, or arranging the necessary measures to enable the Director to perform the required inspection or examination procedures.

### **Article 21. Experts Support.**

1. Directors shall propose expert advice on legal, accounting, financial, or other matters at the Company's expense to be aided during furtherance of their duties. The request must necessarily deal with concrete problems of certain complexity.
2. The request must be made to the Chairman of the Board of Directors and may be rejected by the Board of Directors if:
  - a. It is not necessary for the appropriate performance of the duties entrusted to Directors.
  - b. The cost is not reasonable in view of the importance of the problem and of the assets and income of the Company.
  - c. The assistance requested may be adequately provided by the Company's in-house experts and technicians or other professionals already hired by the same.
  - d. It may entail a risk to the confidentiality of the information that must be processed.

## **1. CHAPTER VIII. REMUNERATION OF THE BOARD.**

### **Article 22. Remuneration of the Board.**

1. The members of the Board shall be entitled to the corresponding remuneration in accordance with the provisions of the Articles of Association and the remuneration policy for Directors approved by the shareholders in a General Meeting. In any case, they shall have the right for reimbursement for any travel and accommodation expenses incurred while performing their duties as Board Members, supported by documentary evidence.
2. The Board shall ensure that the remuneration of its members is determined in consideration of the market and, in any case, shall be such as is necessary to attract and retain Directors with the desired profile and to

remunerate the dedication, qualification and responsibility required by the position, but not so high as to compromise the independence of criteria of the non-executive Directors.

3. Board remuneration shall be transparent and the Annual Report and Annual Report regarding Directors' remuneration shall provide information on this, in the terms and conditions required by the applicable Law at any time.

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

### **Article 23. General Duty of Care.**

1. Pursuant to Article 6 of these Rules, Director's function is to guide and control the Company's management in order to maximize the value of the Company to the benefit of its Shareholders.
2. Directors must perform their duties and fulfil whatever obligations imposed by Law, the Articles of Association and these Rules with the proper diligence of a loyal representative, bearing in mind the nature of the position and the functions attributed to each one of them, and being specifically obliged to:

- a. Prepare thoroughly and gather all the relevant information for the meetings of the Board of Directors and any Bodies or committees to which they belong. In the performance of their functions, Directors are obliged to demand, and have the right to receive from the Company, the appropriate and necessary information to fulfil their obligations.
- b. Show appropriate dedication and adopt the measures required for the proper management and control of the Company.

None Director can belong simultaneously to more than four Boards of Directors of listed companies not related to the Company and to its group.

- c. Attend the meetings of the Bodies or committees to which they belong and become actively involved in the discussions in order to contribute in an efficient manner to the decision-making process. If, for good reason, he/she cannot attend the meetings to which he/she has been convened, he/she must inform, insofar as is possible, the Director who is to represent him/her, subject to sections 2 and 3 of article 14 of these Rules.
- d. Perform any specific task entrusted to him/her by the Board of Directors that seems reasonably included within his/her dedication commitment.
- e. Investigate any irregularity in the management of the Company that has come to his/her notice and monitor any potentially risky situation.
- f. Urge the persons with the capacity to convene the Board of Directors to call for an extraordinary meeting and include items in the agenda that they deem appropriate.



- g. Inform the Appointments and Remuneration Committee of any other professional obligations, in case they might interfere from the necessary dedication.
3. The diligence of a loyal representative shall be deemed to have been exercised when the director has acted in good faith, without any personal interest in the matter under consideration, with sufficient information and in accordance with an appropriate decision-making procedure.

**Article 24. Duty of Loyalty.**

1. Directors must perform their duties with the loyalty of a faithful representative, acting in good faith and in the best interests of the Company.
2. The duty of loyalty specifically obliges Directors to:
  - a. Refrain from exercising his/her powers for purposes other than those for which they have been granted.
  - b. Keep secret the information, details, reports or background to which he/she has had access in the realization of his/her duties, even upon termination thereof, except in cases permitted or required by the Law.
  - c. Refrain from participating in the deliberation and voting of resolutions or decisions in which he/she or a related party has a direct or indirect conflict of interest. The preceding duty to abstain from action does not apply to any agreements or decisions relating to the Directors' status per se, such as their appointment or revocation for positions on the Board of Directors or others of similar effect.
  - d. Carry out their mandate in accordance with the principle of personal responsibility with freedom of judgement and independence from third parties instructions and ties.
  - e. Take any measures necessary to avoid situations in which their interests, whether directly or indirectly, may conflict with the corporate interest and their duties to the Company.

**Article 25. Obligation to avoid situations of conflict of interest.**

1. The obligation to avoid situations of conflict of interest referred to in section e) of article 24, section 2 above, obliges the Director to refrain from:
  - a. Carrying out transactions with the Company, except for those that are approved in accordance with the provisions of the Law and these Rules in relation to Related-Party Transactions.
  - b. Using the name of the Company or invoke their status as Directors to unduly influence the execution of private transactions.
  - c. Making use of the corporate assets, including confidential information of the Company, for private purposes.
  - d. Benefiting from Company's business opportunities.

- e. Obtaining benefits or remuneration from third parties other than the Company and its group, in relation to carrying out their functions, unless they are merely out of courtesy.
  - f. Carrying out activities either personally or for another party, that represent a real competence, either current or possible, with the Company or which in any other way, put him/her in permanent conflict with the Company's interests.
2. The above provisions shall also apply where the beneficiary of the actions or prohibited activities is a person related to the Director, except for the cases that are considered exemptions.
  3. Directors shall notify the Board of Directors of any situation of direct or indirect conflict of interest that they or their related persons may have with the Company.
  4. Directors' conflicts of interest must be disclosed in the Company's annual report.

#### **Article 26.- Rules on Waivers.**

1. The Company may however waive the prohibitions contained in the previous section in individual cases, authorizing a Director or a related person to execute a transaction with the Company, to use certain corporate assets, to take personal advantage of a specific business opportunity, or to obtain benefits or compensation from a third party.
2. The authorization must be approved by the General Meeting when its purpose is to waive the prohibition of obtaining an advantage or compensation from third parties, or when it affects a transaction whose value is greater than ten percent of the Company's assets.
3. Authorization may be also granted in other cases by the Board of Directors, provided the independence of the members granting such authorization with regard to the exempt Director can be guaranteed. The Company must also ensure that the authorized transaction does not harm its shareholders' equity or, where applicable, ensure its performance under market conditions and the transparency of the process.
4. The obligation of not competing with the Company may only be waived if no damage is expected to be caused to the Company or if the Company is expected to be compensated with the profit that such Director may obtain. The waiver will be granted through an express and separate resolution of the General Meeting. In all cases, at the request of any shareholder, the General Meeting will decide on the dismissal of the Director performing competitive activities when the risk of the Company being affected becomes relevant.

#### **Article 27.- Related Persons to Directors.**

For the purposes of the above articles, the following shall be considered persons linked to the Directors:

1. The spouse of the Director or persons of a similar status.
2. Ascendants, descendants and siblings of the Director or of the Director's spouse.
3. The spouses of the Director's ascendants, descendants and siblings.

4. Companies or entities in which the Director holds a direct or indirect share, including through an intermediary, that gives him/her significant influence or in which he/she holds a position on the board of directors or in the senior management of the company or the parent company. For these purposes, it is presumed that significant influence is granted by any shareholding equal to or greater than ten percent of the share capital or voting rights or by virtue of which it has been possible to obtain, de facto or de jure, representation on the Company's Board of Directors.
5. The shareholders represented by the Director on the Board of Directors.

**Article 28. Directors' duty to inform.**

Directors must notify the Company of any event or situation that may be significant for their operation as Director of the Company.

**Article 29.- Definition and approval of Related-Party Transactions.**

1. Related-party transactions shall be understood as those carried out by the Company or its subsidiaries with directors, shareholders holding 10% or more of the voting rights or represented on the Board of Directors of the Company, or any other persons who must be considered related parties under the terms provided by law ("Related-Party Transactions").
2. As an exception to the provisions of the preceding section, the following shall not be considered Related-Party Transactions:
  - a. Transactions carried out between the Company and its directly or indirectly wholly-owned subsidiaries.
  - b. The approval by the Board of the terms and conditions of contracts to be entered into between the Company and any Director who is to perform executive duties, including the Managing Director, or senior officers, as well as the determination by the Board of the specific amounts or remuneration to be paid under such contracts, without prejudice to the duty of abstention of the Director concerned provided by law.

Transactions carried out by a company with its subsidiaries or investees shall also not be deemed to be related-party transactions, provided no other party related to the company has an interest in said subsidiaries or investees.
3. The power to approve Related-Party Transactions the amount or value of which is equal to or exceeds 10% of the total asset items according to the last annual balance sheet approved by the Company shall correspond to the shareholders in a General Shareholders' Meeting. When a General Meeting is called to decide regarding a Related-Party Transaction, the shareholder concerned shall be deprived of the right to vote, except in cases where the proposed resolution has been approved by the Board of Directors without opposing votes from the majority of the independent Directors. However, where applicable, the rule of the reversal of the burden of proof provided for in the Capital Companies Act shall apply.

4. The power to approve all other Related-Party Transactions shall correspond to the Board of Directors, which may not delegate this. The affected Director or the Director representing or linked to the affected shareholder must abstain from participating in the deliberation and voting on the corresponding resolution in accordance with the Capital Companies Act. However, Directors who represent or are linked to the parent company in the governing body of listed subsidiaries are not required to abstain, notwithstanding the fact that, in such cases, if their vote was decisive for the adoption of the resolution, the rule of the reversal of the burden of proof shall apply as provided for by Law.
5. The approval by the General Shareholders' Meeting or by the Board of a Related-Party Transaction must be subject to a prior report from the Audit Committee. In its report, the Committee must assess whether the transaction is fair and reasonable from the point of view of the Company and, if applicable, of the shareholders other than the related party, and give an account of the assumptions on which the assessment is based and the methods used. The Directors concerned may not participate in the preparation of the report.
6. Notwithstanding the provisions of sections 4 and 5 above, the Board of Directors may delegate the approval of the following related-party transactions:
  - a. Transactions between companies forming part of the same group carried out in the ordinary course of business and under market conditions;
  - b. Transactions entered into under contracts the standard terms and conditions of which are applied indiscriminately to a large number of customers, performed at prices or rates established generally by the party acting as supplier of the goods or services in question, and the cost of which does not exceed 0.5% of the Company's net turnover.

The approval of the Related-Party Transactions referred to in this section, section 6, shall not require a prior report from the Audit Committee. However, the Board of Directors shall establish a periodic internal reporting and control procedure for these, in which the Audit Committee shall be involved and which shall verify the fairness and transparency of such transactions and, where appropriate, compliance with the legal criteria applicable to the aforementioned exceptions.

#### **Article 30.- Publication of Related-Party Transactions.**

The Company must publicly announce, at the latest at the time they are entered into, the Related-Party Transactions carried out thereby or by companies in its group and which reach or exceed:

- a. 5 percent of the total amount of the asset items or
- b. 2.5 percent of the annual turnover of the Company as reflected in the latest consolidated annual accounts.

For these purposes, an announcement must be inserted in an easily accessible place on the Company's website which, in turn, must be communicated to the National Securities Market Commission for public dissemination. The

announcement must be accompanied by the report issued by the Audit Committee, as the case may be, and must include at least the following information:

- a. Information on the nature of the Transaction and the relationship with the related party;
- b. The identity of the related party;
- c. The date and the value or amount of the consideration for the transaction; and
- d. Any other information that should be necessary to assess whether it is fair and reasonable from the point of view of the Company and of the shareholders who are not related parties.

The provisions of this article shall be without detriment to the rules on public disclosure of inside information that may apply.

**Article 31.- Calculation rules on Related-Party Transactions.**

1. To determine the total value of a Related-party Transaction, the transactions entered into with the same counterparty in the last twelve months shall be counted in aggregate.
2. The references made in the preceding articles to total assets or annual turnover shall be understood to refer to the values reflected in the latest consolidated annual accounts approved by the General Shareholders' Meeting.

**CHAPTER X. PUBLIC INFORMATION AND BOARD RELATIONS.**

**Article 32. Reports to be issued by the Board of Directors.**

1. On an annual basis, the Board of Directors will approve a Corporate Governance Report for the Company which will always include the terms specified by Law, and will meet the publicity and disclosure requirements of the Shareholders pursuant to the Capital Companies Act.
2. The Board of Directors will prepare and publish an Annual Report on Directors' Remuneration, including all terms specified by Law.
3. The Board of Directors can also approve, and if applicable publish, any other relevant reports in relation to the roles that legally correspond or are attributed to it.

**Article 33. Website.**

1. The Company shall have a corporate website to fulfil Shareholders' right to information as well as to disseminate obligatory information in accordance with Law and legislation that implements it, and to disseminate and publish any other information, standards or documents that the Board of Directors deems appropriate.
2. The Board of Directors is responsible for keeping the information on the Company website up to date and for coordinating its contents in line with the documents deposited or registered in the corresponding public registries.

3. The Audit Committee is responsible for checking that the financial information published on the Company's corporate website is permanently up to date and that it tallies with what has been passed or formulated by the Board of Directors and published on the website of the National Stock Market Commission. If the Committee should be unsatisfied with any aspect following this review, it must notify the Board of Directors of its opinion.
4. The Appointments and Remuneration Committee will check that the information regarding Directors which is published on the Company's corporate website is sufficient and adequate and meets the recommendations of the Code of Good Governance for Listed Companies published by the National Stock Market Commission.

**Article 34. Relations with the Shareholders.**

1. The Board of Directors shall arrange the appropriate channels to hear any proposals made by Shareholders in relation to the Company's management.
2. Through its Directors and with the collaboration of the members of senior management deemed appropriate, the Board can organise meetings regarding the progress of the Company and of its Group for Shareholders who reside in the most important financial positions.
3. The Board of Directors shall encourage the informed participation of the Shareholders at the Shareholders' Meetings and shall adopt as many measures as appropriate to help the General Shareholders' Meeting to truly exercise its functions pursuant to Law and the Articles of Association. To this regard, it will submit the rules for said Corporate Body to the General Shareholders' Meeting approval.

More specifically, the Board of Directors will adopt the following measures:

- a. Prior to the meeting, all Shareholders shall be provided with any information that is legally required.
- b. It shall deal with requests for information from Shareholders with the utmost diligence and prior to the General Shareholders' Meeting, in terms of the legislation applicable at each given time.
- c. It shall likewise deal with questions put forward by the Shareholders when the General Shareholders' Meeting is held, according to the terms of applicable legislation.

**Article 35. Relations with the Institutional Shareholders.**

1. The Board of Directors will establish adequate mechanisms for the regular exchange of information with the institutional investors forming part of the Company's shareholding.
2. Under no circumstances shall relations between the Board of Directors and the institutional Shareholders lead to the delivery to the latter of information that might place them in a position of privilege or provide them with an advantage over the other Shareholders.

**Article 36. Relations with Markets.**

1. The Board of Directors shall ensure strict compliance with obligations regarding the reporting requirement to Markets, according to the terms of applicable legislation.

2. The Board of Directors shall also guarantee that periodic financial information, other than the Annual Accounts and, in general, any other information disclosed to the Markets, is prepared pursuant to the same professional principles, criteria and practices applied to the Annual Accounts and that such information is as reliable as the latter.
3. The Board of Directors shall include information about the Company's corporate governance system in its annual public documentation.

**Article 37. Relations with Auditors.**

1. The Board of Directors' relations with the Company's external Auditors shall be channeled through the Audit Committee, pursuant to the Articles of Association and the Rules of the Audit Committee.
2. The Board of Directors shall inform in the Annual Report the remuneration paid to the audit entity in each period for services other than auditing.
3. The Board of Directors will present to the General Meeting the Annual Accounts prepared in accordance with the accounting regulations. In the event that the Auditor includes a qualification, the Chairman of the Audit Committee will clearly explain the Committee's opinion on its content and scope at the General Meeting. A summary of this opinion will also be made available to shareholders at the time of publication of the call of the meeting, along with the other proposals and reports of the Board.