

**REGULATIONS OF THE BOARD OF DIRECTORS OF  
LÍNEA DIRECTA ASEGURADORA SOCIEDAD ANÓNIMA COMPAÑÍA DE  
SEGUROS Y REASEGUROS**

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## **TITLE I. GENERAL PROVISIONS**

### **Artículo 1º- Purpose**

1. The purpose of these Regulations is to govern, in accordance with the law and bylaws, the principles of action, internal rules and operation of the Board of Directors of LÍNEA DIRECTA ASEGURADORA SOCIEDAD ANÓNIMA COMPAÑÍA DE SEGUROS Y REASEGUROS (the “**Company**”) and its Committees, develop the legal and statutory regime of the Board of Directors and regulate the rights and duties of the directors and the standards of conduct that are required of them, in order to ensure the best possible administration of the Company and consolidate a model of ethical, transparent and effective corporate governance.
2. These Regulations apply to the directors of the Company and, in so far as they are appropriate and compatible with their specific nature, to the Secretary, the advisers to the Board of Directors and the Company's senior managers. For that purpose, the Secretary to the Board of Directors shall provide a copy of these Regulations to all of them.
3. The directors have a duty to know, comply with and enforce these Regulations.
4. These Regulations, as well as their subsequent amendments, will be submitted to the Company's General Shareholders' Meeting, published on its corporate website and be legally made public. The Board of Directors shall take appropriate measures to ensure that shareholders, markets and institutional investors are aware of the Regulations and to update their content.

### **Artículo 2º- Interpretation**

1. These Regulations shall be interpreted in accordance with the law, bylaws and the principles and recommendations on good governance of listed companies issued at the request of the Government and principally taking into consideration their spirit and purpose.
2. It is the responsibility of the Board of Directors to resolve any doubts which may arise as a result of the interpretation and application of these Regulations.

### **Artículo 3º- Amendment**

1. These Regulations may be amended at the request of the Chairman of the Board of Directors, three directors or the Appointments, Remuneration and Corporate Governance Committee.
2. Those proposals for amendments that do not come from the Appointments, Remuneration and Corporate Governance Committee must be informed by it.
3. The text of the proposal, the supporting report of its authors and, where appropriate, the report of the Appointments, Remuneration and Corporate Governance Committee shall be attached to the call announcement for the meeting of the Board of Directors where it will be discussed.
4. The amendment to these Regulations shall require agreement adopted by a two-thirds majority of the directors present or represented at the meeting.

## **TITLE II. MISSION AND FUNCTIONS OF THE BOARD OF DIRECTORS**

### **Artículo 4º- General supervisory function**

1. The Board of Directors is, in accordance with the provisions of the law and bylaws, the body of administration and representation of the Company and is consequently authorised to carry out, in the area covered by the corporate purpose, the legal acts or businesses of administration and provision necessary to carry it out, except those reserved by law or bylaws for the General Shareholders' Meeting.
2. The Board of Directors' policy is to delegate the day-to-day management of the Company to the executive bodies and the management team, and to concentrate its activity on the general supervisory function.
3. Neither those powers legally or statutorily reserved directly for the Board of Directors nor those necessary for the general supervisory function to be responsibly exercised can be delegated.
4. For the latter purposes, the Board of Directors shall exercise the following powers directly:
  - (i) The determination of the Company's general policies and strategies, and in particular the approval of strategic or business plan, management objectives and annual budgets, investment and financing policy, and dividend policy; both at individual and group level.
  - (ii) The determination of risk control and management policy, including tax risks, and supervision of internal information and control systems. To this end, approve the risk control and management policy, along with regularly monitoring internal information and control systems, including the risks associated with the marketing of products and transparency with customers, and compliance with professional ethics and securities market conduct standards.
  - (iii) The determination of the Company's tax strategy.
  - (iv) The determination of the corporate governance policy of the Company and the Group of which it is the parent; its organisation and operation and, in particular, the approval and amendment of its own rules and regulations.
  - (v) The supervision of the effective operation of the Committees it may have set up and the action of the delegated bodies and directors it may have appointed.
  - (vi) The definition of the structure of the group of companies of which the Company is the parent.
  - (vii) The preparation of the financial statements and their submission to the General Shareholders' Meeting.
  - (viii) The approval of the financial information that the Company must make public on a regular basis due to its status as a listed company.
  - (ix) The preparation of any kind of report required of the Board of Directors by law, as long as the operation covered by the report may not be delegated.
  - (x) Approval of investments or transactions of any kind that, due to their elevated

amount or special features, are strategic in nature or involve a significant tax risk, unless such approval must be given by the shareholders at the General Shareholders' Meeting.

- (xi) The approval of the creation or acquisition of interests in special purpose entities or entities domiciled in countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, because of their complexity, could undermine the transparency of the Company and its Group.
- (xii) The approval, upon a prior report of the Audit and Compliance Committee, of the transactions that the Company or Group companies carry out with directors, in the terms established by law, in the bylaws or in these Regulations, or with shareholders who have, whether individually or together with others, a significant interest, including shareholders represented on the Board of Directors of the Company or other companies that are part of the same Group or with their affiliates. The directors concerned or representing or related to the shareholders concerned shall refrain from participating in the debate and abstain from voting on the resolution in question. Only transactions that simultaneously meet the following three characteristics shall be exempted from this approval:
  - a) That they are carried out under contracts with standardised terms and conditions which apply to a large number of customers,
  - b) They are performed at prices or rates generally established by the party acting as supplier of the goods or service concerned, and
  - c) That its amount does not exceed one percent of the Company's annual income.
- (xiii) The authorisation or waiver of obligations arising from the duty of loyalty in accordance with the law.
- (xiv) The appointment and removal of the Company's chief executive officer, as well as the establishment of the terms of their contract.
- (xv) The appointment and removal of directors who report directly to the Board of Directors or one of its members, as well as the establishment of the basic conditions of their contracts, including their remuneration.
- (xvi) The decisions concerning the remuneration of directors, within the statutory framework and, where appropriate, the remuneration policy approved by the General Shareholders' Meeting.
- (xvii) The calling of the General Shareholders' Meeting and preparation of the agenda and proposed resolutions.
- (xviii) The exercise of the powers delegated by the General Shareholders' Meeting to the Board of Directors, unless it has expressly authorised the Board to sub-delegate them.
- (xix) The interpretation, amendment, implementation and development of the resolutions adopted by the General Shareholders' Meeting and the designation of the persons to be granted the relevant public or private documents, under the terms and conditions established, where appropriate, by the General Shareholders' Meeting and that of resolving any doubts that may arise as a result of the interpretation and application

of the bylaws and these Regulations.

(xx) Any others specifically contained in these Regulations or attributed by applicable regulations.

5. However, in, duly justified, urgent circumstances, decisions may be taken for the cases above by the delegated bodies or persons, which shall be ratified at the first Board meeting held after the decision is taken.
6. The powers provided for in this article shall be exercised on a proposal or report by the relevant competent Board of Directors' Committee, in those cases established in these Regulations.

#### **Artículo 5º- Principles of action**

1. The Board of Directors shall perform its functions with a unity of purpose and independence of judgment, giving the same treatment to all shareholders in the same position and guided by the social interest purpose, which is defined as the achievement of a profitable and sustainable business in the long run, which ensures its continuity and maximises the Company's value.
2. In pursuit of the social interest, in addition to respect for laws and regulations and behaviour based on good faith, ethics and respect for commonly accepted uses and good practices, the Board of Directors will seek to reconcile its own corporate interest with, where appropriate, the legitimate interests of its employees, suppliers, customers and those of the 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.

#### **Artículo 6º- Powers of representation**

1. The representation of the Company, in court and out of court, is the responsibility of the Board of Directors, its Chairman and, where the Board has agreed their appointment, the Chief Executive Officer.
2. The Board of Directors has the power of representation acting collectively. The resolutions of the Board of Directors shall be implemented by its Chairman, its Secretary, a director or any third party designated in the resolution, acting jointly or individually.
3. The Chairman of the Board of Directors and, where appropriate, the CEO shall have the power of representation acting individually.

### **TITLE III. COMPOSITION OF THE BOARD OF DIRECTORS**

#### **Artículo 7º- Quantitative composition**

1. The Board of Directors shall be composed of the number of directors determined by the General Shareholders' Meeting, within the limits set by the bylaws.
2. The Board of Directors shall propose to the General Shareholders' Meeting the number of directors which, in accordance with the Company's circumstances, it considers most appropriate to ensure the proper representation and effective operation of the Board. The proposed number shall not exceed 15.

#### **Artículo 8º- Qualitative composition**

1. The Company's directors shall be classified as executive and non-executive or external and, within the latter category, may be proprietary, independent or other external, all in accordance with the provisions of the law.
2. In exercising its powers to make proposals at the General Shareholders' Meeting and of co-optation to fill vacancies, the Board of Directors, shall ensure that in the composition of the body, external directors constitute a large majority of the Board of Directors and that the number of executive directors is the minimum necessary, taking into account the complexity of the Group and the percentage holding of executive directors in the Company's capital.
3. The Board of Directors shall ensure that the number of independent directors represents at least half of the total number of directors.
4. In order to strike a reasonable balance between proprietary directors and other non-executive directors, the Board of Directors shall look at the company's ownership structure to ensure that the ratio of proprietary directors to total non-executive directors is not greater than the ratio of the Company's capital represented by those directors to the rest of the capital, without prejudice to those cases where it may be appropriate to mitigate this criterion to some extent.
5. The Board of Directors shall specify the status of each director to the General Shareholders' Meeting which must make or ratify their appointment. This status shall be reviewed annually by the Board of Directors, after verification by the Appointments, Remuneration and Corporate Governance Committee, and be disclosed in the Annual Corporate Governance Report.
6. The provisions of this article are without prejudice to the legally recognised right of shareholders to proportional representation and the powers of the General Shareholders' Meeting.

#### **TITLE IV. DIRECTORS' APPOINTMENT AND LEAVING OFFICE**

#### **Artículo 9º- Appointment of directors**

1. Directors shall be appointed by the General Shareholders' Meeting or by the Board of Directors in accordance with the provisions of the law.
2. Proposals for the appointment or re-election of directors submitted by the Board of Directors for the consideration of the General Shareholders' Meeting and the appointment decisions made by that body under the powers of co-optation legally assigned to it, shall be preceded by the corresponding proposal (in the case of independent directors) or report (in the case of the other directors) of the Appointments, Remuneration and Corporate Governance Committee. Where the Board of Directors departs from the recommendations of the Appointments, Remuneration and Corporate Governance Committee, it shall state its reasons for doing so and record those reasons in the minutes.
3. The proposal shall in all cases be accompanied by a supporting report from the Board of Directors which assesses the abilities, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Shareholders' Meeting or of the meeting of the Board of Directors.



4. The above shall also apply to individuals who are appointed representatives of a corporate director. The proposal for an individual representative shall be submitted to the report of the Appointments, Remuneration and Corporate Governance Committee.
5. The Board of Directors shall ensure that the selection procedures of its members promote gender diversity, experience and knowledge, and are free from implicit biases that may involve any kind of discrimination and, in particular, that they facilitate the selection of the least represented gender on the Board.
6. The Board of Directors shall adopt a policy aimed at promoting an appropriate composition of the Board and which ensures that the nominations for appointment or re-election are based on a prior analysis of the competencies the Board requires; they favour diversity of knowledge, experience, age and gender; and they are free from implicit biases that may involve any kind of discrimination. The outcome of the prior analysis of the competencies required by the Board of Directors shall be included in the supporting report of the Appointments, Remuneration and Corporate Governance Committee to be published when the General Shareholders' Meeting is called at which the ratification, appointment or re-election of each director is submitted.
7. The Appointments, Remuneration and Corporate Governance Committee shall verify annual compliance with the Director Selection Policy and shall disclose it in the Annual Corporate Governance Report.

#### **Artículo 10º- Appointment requirements**

1. Directors shall be persons of commercial and professional good repute, competence, experience and solvency and shall meet, without prejudice to the following provisions, the requirements laid down in the current legislation applicable to companies in general and insurers in particular, as well as any other that may apply.
2. Persons affected by circumstances of prohibition or legal, regulatory or statutory incompatibility may not be appointed directors.
3. Persons may not be appointed as directors if they are directly, or through an affiliate, in a position of structural and permanent conflict of interest with the Company or if they are proposed by one or more shareholders with such a conflict of interest.
4. In addition, directors must have adequate knowledge and experience to carry out their duties, within any legal and regulatory terms established.
5. In the case of corporate directors, the individual representing them in the performance of the duties of this role shall be subject to the conditions of good repute, knowledge, experience and solvency indicated in this article, and shall be required to carry out, in a personal capacity, the duties and responsibilities of the director as established in law, the bylaws and these Regulations. In order for a legal entity to be appointed as a director of the Company, it will be necessary for the Board of Directors to accept the individual representing the director, who will be a sole person who will take on the role permanently, unless the director proposes their justified replacement and this is approved by the Board of Directors.
6. The Board of Directors shall ensure an induction programme is set up - on the proposal of the Appointments, Remuneration and Corporate Governance Committee, and on the basis of the specific needs of the new directors - which provides knowledge considered to be

sufficient on the Company, its operation and its corporate governance rules. In addition, it will also ensure that training programmes to update the existing directors' knowledge are also established, when circumstances make this advisable.

#### **Artículo 11º- Term of office**

1. The directors shall remain in office for the period established in the bylaws, and may be re-elected according to the terms provided for in them. However, independent directors may not remain in office for more than 12 years, unless they become a proprietary, executive or other external director.
2. Directors who have been co-opted shall hold office until the first General Shareholders' Meeting after their appointment, without prejudice to their ratification or re-election.
3. A director who ends their term of office, or for any other reason ceases to carry out their role, shall be barred from providing services to another entity with a similar corporate purpose to that of the Company for a period of two years. The Board of Directors, if it deems it appropriate, may waive this restriction or shorten its duration.

#### **Artículo 12º- Directors leaving office**

1. Directors will leave office, unless they are re-elected, when the term for which they were appointed has ended or when the General Shareholders' Meeting or the Board of Directors decides to do so in accordance with the powers legally or statutorily granted to them.
2. The Board of Directors shall only propose the removal of an independent director before the end of the statutory period for which they were originally appointed, when following a report by the Appointments, Remuneration and Corporate Governance Committee, it considers there is just cause to do so. In such cases, just cause shall be considered to exist when the director takes on new roles or responsibilities that prevent them from dedicating the necessary time to the performance of the duties of their office, they fail to carry out the duties inherent to their office or they unexpectedly become involved in any of the circumstances provided for in the following paragraph of this article. Such removal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions which involve a significant change in the Company's shareholding structure.
3. Directors shall inform and, where appropriate, place their office at the disposal of the Board of Directors and formalise, if deemed appropriate, the corresponding resignation in the following cases:
  - (i) When they stop performing the executive role to which their appointment as a director is connected or when the reasons for their appointment as a director no longer exist. In particular, in the case of proprietary directors, where the shareholder or shareholders who proposed, requested or determined their appointment, sell or transfer all or part of their shareholding and as a result are no longer classified as a significant shareholder or their stake is not sufficient enough to justify the appointment.
  - (ii) When they are affected by circumstances of prohibition, incompatibility or legal cause for leaving office, including conflict of competence or interest, in accordance with Article 10 of these Regulations.

- (iii) Where the director is responsible for acts or omissions contrary to the diligence and effectiveness with which they are expected to carry out perform their role or when they are in serious dereliction of their duties as directors, such as the duty of secrecy and confidentiality and others governed by these Regulations.
- (iv) If their remaining on the Board of Directors may put the interest of the Company at risk, directly or through their affiliates.
- (v) Where the director causes, for any other reason, whether related or not to their activities in the Company itself, serious harm or damage to the interests of the Company, its credit and reputation or the functioning of the Board of Directors or, in general, loses the trust of the Board of Directors for reasons of just cause.

In particular, the director shall inform the Board of Directors of any criminal cases in which they are investigated and the progress of any criminal trials.

- (vi) Where any other grounds for removal of the director occur, in accordance with the recommendations on good corporate governance in force in Spain which the Company and the Board of Directors are committed to and follow.
4. In any of the cases referred to in the previous paragraph, the Board of Directors may propose the removal of the director after having previously asked the director to resign from office. The Board of Directors' resolutions in relation to the existence, or otherwise, of any of the grounds for removal of the director, as provided for in the preceding paragraphs of this article, and the acceptance of the director's resignation shall be adopted on a proposal from the Appointments, Remuneration and Corporate Governance Committee, except in cases of urgency or necessity.
  5. Where a director leaves office before the end of their term, whether due to resignation or another reason, they shall explain sufficiently the reasons for their resignation or, in the case of non-executive directors, their view on the reasons for their removal by the General Shareholders' Meeting, in a letter to be forwarded to the remaining members of the Board of Directors.

#### **Article 12 bis. - Advisors to the Board.**

At the proposal of the Chairman, the Vice-Chairman, the Chief Executive Officer or the Non-Executive Directors, the Board of Directors may appoint Advisers to the Board who may attend meetings of the Board of Directors or its Committees, as well as meetings of other bodies of the Company at the request of the Board of Directors, its Chairman or the Chairman of the corresponding Committee, with the right to speak but not to vote.

### **TITLE V. RIGHTS AND DUTIES OF DIRECTORS**

#### **Artículo 13º- Rights of the directors**

1. Directors may exercise all rights and powers that correspond to their office by law or under the bylaws and these Regulations.
2. The right of directors to request the inclusion of items on the agenda of meetings of the

Board of Directors shall be exercised under the conditions laid down in these Regulations.

3. In addition to the meetings of the Board of Directors and its Committees, some or all of the directors may attend other meetings, at the initiative of the Chairman, in order to prepare the Board or Committee meetings or to obtain more in-depth knowledge and analysis of certain of the Company's businesses, areas or projects.
4. Unless the Board meeting is extraordinary and called for reasons of urgency, the directors shall receive, in sufficient time before the meeting, the information necessary for the discussion and adoption of resolutions on the items to be dealt with. The Chairman of the Board of Directors, with the assistance of the Secretary, shall ensure compliance with this right of the directors.
5. Unless the Board meeting is extraordinary and called for reasons of urgency, directors have the right to be informed of any aspect of the Company and to obtain the additional information they judge to be necessary on matters within the competence of the Board of Directors, provided that the performance of their duties so requires. Consequently, directors may access the minutes, reports and presentations of the various Board Committee meetings that may be held, with the power to request the clarifications they deem necessary and to contact the Company's directors to request any information related to the competencies of the Board of Directors.
6. The directors shall have a regularly updated organisation chart of the Company available, containing the names, duties and contact details of the executives responsible for the various different areas and services and they will have access to them.
7. The exercise of the right of information shall be channelled through the Chairman of the Board of Directors with the assistance of the Secretary, or in the form established at all times by the Board of Directors itself. The director's requests will be attended to by providing them directly with the information, introducing them to the appropriate contacts in the Company or arranging the appropriate measures to do so.
8. The Chairman of the Board of Directors and all external directors, i.e. non-executive directors, may request the hiring at the Company's expense of legal, accounting, financial or other expert advisors to assist them in the exercise of their duties. The request must necessarily concern matters of some importance and complexity which are deemed necessary.
9. The decision to hire such experts must be communicated to the Chairman of the Board and may be rejected by the Board of Directors when:
  - (i) it is not necessary for the full performance of the duties of the external directors;
  - (ii) its cost is unreasonable when comparing the importance of the problem and the Company's assets and income; or
  - (iii) the technical assistance sought can be adequately provided by the Company's experts and technicians.
10. Directors have the right to record in the minutes their concerns about any proposal or on the progress of the Company as well as their reservations regarding specific proposals or decisions.

#### **Artículo 14°- General duties of the director**

1. Directors shall perform their duties under the principle of personal responsibility.
2. In the performance of their duties and in the performance of the duties imposed by the laws, the bylaws and these Regulations, the director shall act with the diligence of an orderly businessperson and a loyal representative in defence of the corporate interest, taking into account the nature of the office and the duties assigned to it, acting in good faith and in the best interest of the Company, being obliged, in particular, to:
  - (i) Dedicate the time and effort necessary to perform the duties of director.
  - (ii) Request sufficient and necessary information to enable them to fulfil their obligations.
  - (iii) Make adequate preparations for the meetings of the Board of Directors and of the Committees to which they belong, keeping themselves diligently informed on the progress of the Company and on the matters to be dealt with at these meetings.
  - (iv) Attend the meetings of those bodies of which they are a member and actively participate in the discussions so that their opinion effectively contributes to decision-making; in the event that, with just cause, they are unable to attend the meetings to which they have been called, they must instruct another director to represent them; external directors shall try to be represented by directors of the same category.
  - (v) Carry out any specific tasks assigned to them by the Board of Directors and which can reasonably be included within their time commitment.
  - (vi) Investigate any irregularities in the Company's management that they may have been informed of and monitor any risk situations.
  - (vii) Urge those people with the capacity to do so, to call an extraordinary meeting of the Board of Directors or to include on the agenda of the next one to be held the items they consider appropriate.
  - (viii) Oppose resolutions which are contrary to the law, the Company's internal regulations or corporate interest and ask that their opposition be minuted.
  - (ix) Use their powers only for the purposes for which they were granted.
  - (x) Take the necessary measures to avoid situations in which their interests, whether on their own behalf or on behalf of others, may conflict with the corporate interest or with their duties to the Company.
3. The Company's executive directors may form part of the board of only one other listed company and its non-executive directors a maximum of five. For this purpose, all the boards of companies that form part of the same Group shall be counted as a single board.
4. Directors shall perform their role with the loyalty of a faithful representative, acting in good faith and in the best interest of the Company.

#### **Artículo 15°- Director's duty of confidentiality**

1. The director, except where permitted or required by law, shall keep secret the discussion

and resolutions of the Board of Directors and of its Committees of which they are members and, in general, shall refrain from disclosing the information, data, reports or background to which they have had access in performing their role, as well as from using them for their own benefit, that of the shareholder who, where appropriate, has proposed or made their appointment or any other third party, without prejudice to the obligations of transparency and information imposed by law.

2. The duty of confidentiality shall remain even when they have left office.

#### **Artículo 16º- Duty of non-compete**

The director may not become a director or executive or provide services to another company or entity with a corporate purpose that is the same or similar to that of the Company or is one of its competitors. Any offices they may hold in other companies in the Company's group are exempt from this.

#### **Artículo 17º- Conflict of interest**

1. It shall be considered that there is a conflict of interest with the director in those situations in which the interest of the Company or the companies in its Group and the personal interest of the director, directly or indirectly, clash. The personal interest of the director shall exist where the matter affects them or an affiliate or, in the case of a proprietary director, the shareholder or shareholders who proposed or made their appointment or one of their affiliates.
2. The director shall notify the Board of Directors, through its Chairman or Secretary, of any situation of conflict of interest, direct or indirect, in which they find themselves.
3. In particular, unless they have obtained the corresponding authorisation in accordance with Article 230 of the Spanish Corporate Enterprises Act, the director shall refrain from:
  - (i) Carrying out transactions with the Company, except for ordinary transactions, made under standard market conditions and of little importance, i.e. those for which information is not necessary to provide a true and fair view of the entity's equity, financial position and earnings.
  - (ii) Obtaining benefits or remuneration from third parties other than the Company or its Group in connection with the holding of their position, except for those received merely as a sign of courtesy.
  - (iii) In general, taking part in discussions and voting in relation to those matters in which they have a conflict of interest.

#### **Artículo 18º- Using corporate assets**

1. The director may not make use of the Company's assets or use their position in the Company to obtain any financial benefit without payment of the appropriate consideration in return.
2. Exceptionally, and in compliance with the requirements laid down by law, the director may be exempted from the obligation to pay the appropriate consideration, but in that case the financial benefit will be considered indirect remuneration and must be authorised by the

Board of Directors, following a report by the Appointments, Remuneration and Corporate Governance Committee. If the benefit is received in their position as a shareholder, it will only be appropriate if the principle of equitable treatment of shareholders is respected.

#### **Artículo 19º- Specific duties arising from the status of listed company**

1. Directors shall at all times observe the rules of conduct laid down by law and, in particular, those included in the Company's Internal Code of Conduct in Securities Markets.
2. In particular, directors shall not conduct, or suggest to any person that they conduct, transactions involving securities of the Company or of Group companies about which, due to their position, they have insider information.
3. In addition, directors shall not use non-public information related to the Company for private purposes, unless the following conditions are met:
  - (i) that the use of such information does not contravene the law;
  - (ii) that such information does not apply in connection with transactions for the acquisition or sale of the Company's securities or financial instruments related to them;
  - (iii) that it does not give the director any advantage over third parties, including suppliers and customers;
  - (iv) that its use does not cause any damage to the Company; and
  - (v) that the Company does not have an exclusive right or analogous legal position on the information the director wishes to use.

#### **Artículo 20º- Business opportunities**

1. The director may not take advantage for their own benefit, or that of affiliates, of a Company business opportunity, unless they are previously offered to do so by the Company, or the Company decides against exploiting it without being influenced by the director and that authorisation is received to take advantage of the opportunity from the Board of Directors after a report by the Appointments, Remuneration and Corporate Governance Committee.
2. For the purposes of the previous paragraph, "business opportunity" means any possibility of making an investment or commercial transaction that has arisen or has been discovered in connection with the director's performance of their role, or through the use of the Company's resources and information, or under circumstances such that it is reasonable to believe that the third party's offer was actually addressed to the Company.
3. In addition, the director shall not use the Company's name nor invoke their status as director of the Company when conducting transactions on their own behalf or that of affiliates.

#### **Artículo 21º- Indirect transactions**

The director infringes their duty of loyalty to the Company if, with prior knowledge, they allow or do not reveal the existence of transactions carried out by their affiliates, without them being

subject to the conditions and controls established in the previous articles.

#### **Artículo 22º- Director's duty of information**

1. Without prejudice to the fulfilment of their legal obligations, the director must inform the Company of the stake (through agreements or instruments of any kind, such as certificates of deposit, derivative instruments, etc.) that they have in the Company's share capital which they hold directly or through affiliates. It shall also make the appropriate communications in accordance with the provisions of the law.
2. The director shall notify the Company of the stake (through agreements or instruments of any kind, such as certificates of deposit, derivative instruments, etc.) that they, directly or through affiliates, hold in the share capital of any company with the same, analogous or complementary type of activity to that given as the Company's corporate purpose, and the roles or duties they carry out there, as well as the undertaking, on their own or someone else's behalf, of any kind of activity that is complementary to the Company's corporate purpose.
3. The director must also report all the positions they hold and the activities they perform in other companies or entities and, in general, of any factor that may be relevant to their role as a director of the Company.
4. In addition, the director must comply with the duties of information contained in securities market law.

#### **Artículo 23º- Related party transactions**

1. The Board of Directors formally reserves the right of approval of any transactions that the Company or Group companies carry out with directors, with shareholders who own 10% or more of voting rights, with shareholders represented on the Board of Directors of the Company or other companies that are part of the same Group, or with related parties to them, including all other parties which shall be considered as related parties according to Accounting International Rules ("related party transactions").
2. The approval must be agreed by the General Shareholders Meeting in the case that the amount or value of the related party transaction represents 10% or more of corporate assets according to the last annual balance sheet approved by the Company.
3. The approval of a related party transaction by the General Shareholders Meeting or the Board of Directors requires a prior report of the Audit and Compliance Committee. Within its report, such Committee shall (i) evaluate whether the transaction is fair and reasonable from the perspective of the Company and, if appropriate, of the shareholders different from the transaction party, and (ii) inform about the budgets on which the evaluation is based and the methods used.
4. The authorisation of the Board of Directors shall not, however, be required, being able to delegate the approval on delegated bodies or senior management, for transactions among affiliates which are part of the same Group, which are developed within the ordinary management of the Company and under market conditions or transactions which simultaneously meet the following three conditions: (i) they are carried out under contracts with standard terms and are applied en masse to a large number of customers; (ii) are made at prices or tariffs generally established by the party acting as supplier of the good or



service; and (iii) that the amount involved does not exceed 0.5% of the Company's net amount of turnover, in accordance with the last consolidated financial statements approved by the General Shareholders Meeting.

5. The aforementioned in this article can be developed through the internal regulation approved by the corporate bodies.

## **TITLE VI. REMUNERATION OF DIRECTORS**

### **Artículo 24º- Remuneration of director**

1. The directors shall be entitled to receive remuneration for performing the duties allocated to them by reason of their appointment as mere members of the Board of Directors, either by the General Shareholders' Meeting or by the Board itself by virtue of its co-optation powers.
2. The remuneration referred to in the previous paragraph shall consist of a fixed annual amount determined by the General Shareholders' Meeting. That amount shall remain in force until the General Shareholders' Meeting agrees to its amendment, although the Board may reduce its amount in those years in which it deems it justified.
3. The remuneration indicated shall consist of the following components: (a) an annual fixed allocation, and/or (b) per diems, and/or (c) delivery of shares, share options or any remuneration linked to the value of the shares. It will require the resolution of the General Shareholders' Meeting to apply the remuneration schemes consisting of the delivery of shares, share options, etc. where this is required by law. The General Shareholders' Meeting resolution shall, as applicable, specify the number of shares to be delivered, the strike price of the share options and other items established by law and may have retroactive effects at the beginning of the financial year to which it relates.
4. The specific determination of the amount corresponding for the components above to each of the directors and the method of payment will be made by the Board of Directors. To do this, it shall take into account the positions held by each director in the Board of Directors itself and their membership of and attendance at the various Committee meetings.
5. Regardless of the provisions of the previous sections, directors shall be entitled to receive remuneration (salaries, incentives, bonuses, pensions, insurance policies and termination benefits) which, on a proposal from the Appointments, Remuneration and Corporate Governance Committee and by resolution of the Board of Directors, is deemed to be appropriate for the performance of other duties in the Company, whether as an executive or any other type of director, other than the supervisory and collective decision-making duties that they undertake as mere members of the Board of Directors.
6. The Board of Directors shall ensure that director remuneration is competitive in the market with companies of similar size and activity, and that variable remuneration, where applicable, takes into account the professional performance of the beneficiaries and does not simply derive from the general performance of the markets. The Board of Directors resolutions on remuneration shall be made in accordance with legal and statutory provisions, and the Directors' Remuneration Policy in force at any time.

## **TITLE VII. POSITIONS ON THE BOARD OF DIRECTORS**

### **Artículo 25º- Chairman of the Board of Directors**

1. The Board of Directors, following a report of the Appointments, Remuneration and Corporate Governance Committee, shall choose a Chairman of the Board of Directors from among its members.
2. The Chairman of the Board of Directors is the highest representative of the Company and is ultimately responsible for the management of the Board of Directors and the effectiveness of its operation.
3. In addition to their powers under the law, the bylaws, the General Shareholders' Meeting Regulations and these Regulations the Chairman shall also have the following duties:
  - (i) Chair the General Shareholders' Meeting and conduct its discussions and deliberations.
  - (ii) Call and chair the meetings of the Board of Directors, in the form set out in the bylaws and in these Regulations, setting the agenda of the meetings.
  - (iii) Prepare and submit to the Board of Directors a schedule with dates and matters to be dealt with.
  - (iv) Ensure, together with the Secretary to the Board of Directors, that directors receive sufficient information in advance to discuss agenda items.
  - (v) Direct the discussions and deliberations of the Board of Directors, stimulating the debate and active participation of directors during its meetings, safeguarding their free decision-making, and ensuring that sufficient discussion time is devoted to strategic issues.
  - (vi) Submit to the Board of Directors the proposals they consider appropriate for the smooth running of the Company and, in particular, those corresponding to the functioning of the Board of Directors itself and other corporate bodies, as well as propose the appointment of internal positions within the Board of Directors.
  - (vii) Agree and review the processes of induction and updating of knowledge of directors when circumstances make this advisable.
4. The Chairman has the ordinary power to convene the Board of Directors, to set the agenda of its meetings and to conduct the discussions. The Chairman shall, however, convene the Board of Directors with the points in question at the request of the Lead Director – where one exists – or three or more directors, or include new items on the agenda at the request of any director.
5. In addition, together with the Chairman of the Appointments, Remuneration and Corporate Governance Committee, the Chairman of the Board of Directors shall organise and coordinate the periodic assessment of the Board of Directors, its Committees, its members and the Chief Executive Officer of the Company, in accordance with the provisions of these Regulations.

#### **Artículo 26°- Vice-Chairman of the Board of Directors**

1. The Board of Directors may elect from among its members, following a report of the Appointments, Remuneration and Corporate Governance Committee, one or more Vice-Chairmen who will temporarily replace the Chairman of the Board of Directors in case of vacancy, absence, illness or unavailability.
2. If there is more than one Vice-Chairman of the Board of Directors, the Chairman shall be replaced by them in the order established on the Chair's appointment, or failing that, by the Vice-Chairman who has served longest in the office and, lastly, by the oldest Vice-Chairman.

#### **Artículo 27°- Chief Executive Officer**

1. The Board of Directors may delegate all or part of its powers, except those that may not be legally delegated, to one or more Chief Executive Officers (Consejeros Delegados).
2. The permanent delegation of powers of the Board of Directors and the appointment of the director(s) to hold the position of Chief Executive Officer (CEO) shall require the favourable vote of two-thirds of the directors for their validity.
3. The CEO, by delegation of and reporting to the Board of Directors, shall carry out the day-to-day management of the Company's business and its highest managerial and executive functions, without prejudice to those granted to the Chairman or the Vice-Chairman, if the latter has executive status.

#### **Artículo 28°- Lead Director**

1. The Board of Directors, on a proposal from the Appointments, Remuneration and Corporate Governance Committee and with the abstention of executive directors, may appoint an independent director as Lead Director, and must do so when the Chairman of the Board of Directors has executive director status.
2. The Lead Director shall be empowered to carry out the following actions:
  - (i) Request that a meeting of the Board of Directors be called or that new items be added to the agenda for an already convened meeting.
  - (ii) Coordinate and organise meetings of non-executive directors and reflect their concerns to the Chairman of the Board of Directors.
  - (iii) Chair the Board of Directors in the absence of the Chairman and any Vice-Chairmen.
  - (iv) Maintain contact with shareholders and investors to discover their views and form an opinion on their concerns, in particular in relation to the Company's corporate governance.
  - (v) Coordinate the succession plan for the Chairman of the Board of Directors.
  - (vi) Lead the regular evaluation of the Chairman of the Board of Directors.

#### **Artículo 29°- Secretary to the Board of Directors**

1. On a proposal from the Chairman of the Board of Directors and on the prior report of the Appointments, Remuneration and Corporate Governance Committee, the Board of Directors shall appoint, a Secretary to the Board of Directors. The same procedure must be followed for their removal.
2. The Secretary to the Board of Directors does not need to be a director.
3. The Secretary shall assist the Chairman in their work and shall ensure the smooth operation of the Board of Directors, taking particular care to provide the directors with the necessary advice and information, keep custody of Board documentation, record the proceedings of its meetings in minute books and attest to its content and to the resolutions adopted
4. The Secretary shall in any event ensure the formal and material legality of the Board's actions and that its procedures and rules of governance are respected and regularly reviewed. The Secretary shall also ensure that the Board's actions comply with the bylaws, the General Shareholders' Meeting Regulations, these Regulations and the recommendations of good corporate governance that the Company has decided to follow.

#### **Artículo 30°- Vice-Secretary to the Board of Directors**

1. The Board of Directors may, on a proposal from its Chairman and on the prior report of the Appointments, Remuneration and Corporate Governance Committee, appoint a Vice-Secretary to the Board of Directors to assist the Secretary and replace them in the performance of their duties in the event of absence, illness or unavailability. The same procedure must be followed for their removal. The Vice-Secretary to the Board of Directors does not need to be a director.
2. Unless otherwise decided by the Board, the Vice-Secretary may attend its sessions to assist the Secretary in drafting the minutes of the session.

### **TITLE VIII COMMITTEES OF THE BOARD OF DIRECTORS**

#### **Artículo 31°- Delegated bodies of the Board of Directors and Advisory Committees**

1. Without prejudice to such powers as may be delegated individually to the Chairman or any other director (CEOs) and its power to set up delegated committees for specific areas of activity, the Board of Directors may establish an Executive Committee with general decision-making powers.
2. In addition, the Board of Directors shall set up an Audit and Compliance Committee and an Appointments, Remuneration and Corporate Governance Committee (or, in place of the former two, two separate committees, an Appointments Committee and a Remuneration Committee) and may set up other committees or advisory committees, with the powers determined by the Board of Directors itself.
3. The Board of Directors shall determine the number of members of each Committee and shall designate, on a proposal from the Chairman of the Board of Directors and after a report of the Appointments, Remuneration and Corporate Governance Committee, the directors who will form part of each one.
4. The Committees shall regulate their own operation and shall meet when convened by their

Chairman. Except where other voting *quorums* have specifically been established, the Committees' resolutions shall be adopted by an absolute majority of votes and proxies. In the event of a tie, the Chairman of that particular Committee shall have the tie-breaking vote.

5. In matters not specifically provided for in regulations applicable to a particular committee, the operating rules laid down by these Board of Directors Regulations shall apply, provided that they are compatible with the Committee's nature and function.

#### **Artículo 32º- Executive Committee**

1. If the Board of Directors agrees to establish an Executive Committee, it shall consist of a minimum of three and a maximum of five directors, with at least two of them being non-executive director and at least one of them independent.
2. The adoption of the resolutions for the appointment of the members of the Executive Committee will require the favourable vote of at least two-thirds of the members of the Board of Directors.
3. The Chairman of the Board of Directors shall act as Chairman of the Executive Committee and the Secretary to the Board, who may be assisted by the Vice-Secretary, as the secretary.
4. The permanent delegation of powers by the Board of Directors to the Executive Committee shall include all of the powers of the board, except for those that may not be legally or statutorily delegated or which may not be delegated under the provisions of these Regulations.
5. In those cases where, in the judgment of the Chairman or three members of the Executive Committee, the importance of the matter makes it advisable, the resolutions adopted by the Executive Committee shall be submitted for ratification by the full Board of Directors. The Board reserves the final decision on any matters it may refer to be studied by the Executive Committee. In any other case, the resolutions adopted by the Executive Committee shall be valid and binding without the need for further ratification by the full Board of Directors.
6. The Executive Committee shall report to the Board of Directors on the matters discussed and resolutions adopted. The minutes of this Committee shall also be made available to the members of the Board of Directors.

#### **Artículo 33º- Audit and Compliance Committee**

1. The Audit and Compliance Committee shall consist of a minimum of three and a maximum of five non-executive directors appointed by the Board of Directors, who have the necessary dedication, capacity and experience to carry out their role. The members of the Audit and Compliance Committee as a whole, and in particular its Chairman, shall be appointed taking into account their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.
2. The majority of the members of the Audit and Compliance Committee must be independent directors and at least one of them will be appointed taking into account their knowledge and experience in accounting, auditing or both.
3. The Board of Directors shall appoint the Chairman of the Audit and Compliance

Committee from among the independent directors who are part of the Audit and Compliance Committee. The Audit and Compliance Committee shall appoint its Secretary, without the need for them to be a director or a member of the Committee. In the absence of a specific appointment, the Secretary to the Board of Directors shall be the Secretary to the Committee.

4. The Chairman of the Audit and Compliance Committee shall hold that office for a maximum period of four years, at the end of which they must allow a year to elapse before can be re-elected, however, this does not affect their ability to continue or be re-elected as a Committee member.
5. Without prejudice to other tasks assigned to it by the bylaws or the Board of Directors, the Audit and Compliance Committee shall have the following basic responsibilities:
  - (i) To report to the General Shareholders' Meeting, through its Chairman, on the Company's control status and the Committee's activities during the financial year, and on the issues within the Committee's competence raised by shareholders in that meeting.
  - (ii) Propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment, re-election or replacement of the external auditors, as well as their contractual conditions, the scope of their professional mandate, the supervision of activities other than the auditing of accounts and the guarantee of the external auditor's independence.
  - (iii) In relation to the external auditor:
    - a) Examine, in the event of the resignation of the external auditor, the circumstances which may have led to it.
    - b) Ensure the independence of the external auditor, and that the remuneration for their work does not compromise their quality nor independence.
    - c) Oversee that the Company reports the change of auditor as insider or material information (as appropriate) to the Spanish National Securities Market Commission (CNMV) and accompany it with a statement on the possible existence of disagreements with the outgoing auditor and, where relevant, its work.
    - d) Ensure that the external auditor holds an annual meeting with the full Board of Directors to inform them of the work carried out and on the Company's latest accounting and risk situation.
    - e) Monitor compliance with the audit contract, ensuring that the opinion on the financial statements and the main contents of the audit report are drafted clearly and accurately.
    - f) Ensure that the Company and the external auditor comply with existing rules on the provision of services other than audit work, limits on the concentration of the auditor's business and, in general, all other rules on the external auditor's independence.
    - g) Establish and maintain appropriate relations with the external auditor to receive information on issues that may pose a threat to its independence, for

examination by the Committee, as well as any other information related to the auditing procedure, and, where appropriate, the authorisation of services other than those prohibited, as provided for by law, as well as those other communications provided for in the audit legislation and audit rules. In any case, the Audit and Compliance Committee shall receive annually the external auditor's declaration of independence with regard to the Company or entities directly or indirectly related to it, as well as detailed and individualized information on additional services provided of any kind and the corresponding fees received from these entities by the external auditor, or by persons or entities affiliated to them in accordance with current regulations.

- h) Issue annually, prior to the issuance of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report shall, in any event, comment on the provision of the additional services referred to in the previous paragraph.
- (iv) Propose to the Board of Directors the approval of the Audit and Compliance Committee's annual report.
- (v) Know, supervise and assess the process of preparation and the integrity of financial and non-financial information, along with the systems for the control and management of the Company's financial and non-financial risks and, where appropriate, the Group - including operational, technological, legal, social, environmental, political and reputational or corruption, reviewing compliance with regulatory requirements - the suitable scope of the consolidation perimeter and the correct application of accounting standards.
- (vi) Report to the Board of Directors, in advance, on all the matters provided for in the law, the bylaws and in these Regulations and, in particular, on:
  - (i) The financial information that the Company must make public on a regular basis,
  - (ii) The creation or acquisition of interests in special purpose entities or entities domiciled in countries or territories that are considered tax havens and,
  - (iii) Related party transactions.
- (vii) Analyse the structural and corporate changes planned by the Company and then report to the Board based on the analysis of their economic conditions and accounting impact and, in general, where applicable, on the proposed swap ratio.
- (viii) Serve as a communication channel between the Board of Directors and external/internal auditors, to assess the results of audit reports and compliance with the comments and conclusions made, as well as to discuss with the auditors any significant gaps detected in the internal control system during the course of the audit.
- (ix) Supervise the application of the general policy on the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders.
- (x) Inform the Board of Directors prior to the adoption of the relevant decisions establishing companies, companies, associations, foundations and any other type

of legal persons (including special purpose entities), as well as any other transactions or operations of a similar nature that, because of their complexity, could undermine the transparency of the Company.

- (xi) Know the reports issued by supervisory bodies on the Company, in particular the Spanish Directorate-General for Insurance and Pension Funds and the National Securities Market Commission, as a result of inspections and to oversee compliance with actions and measures resulting from inspection reports.
- (xii) Ensure the reliability and transparency of the Company's internal and external information on earnings and activities and, in particular, verify the integrity and consistency of the Company's financial statements, including the annual accounts, notes to the financial statements and management report, prior to its approval or proposal by the Board of Directors and its publication, and oversee the Company's policy in relation to issue prospectuses and other forms of public information.
- (xiii) Ensure that the financial statements presented by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations. In those cases where the external auditor has issued their report with a qualified opinion, the Chair of the Audit and Compliance Committee shall clearly explain in the General Shareholders' Meeting the Committee's view on the content and scope of this qualification, and make a summary of it available to shareholders at the time of publication of the call to the General Shareholders' Meeting, together with the Board's other proposals and reports.
- (xiv) Oversee and promote compliance with the Company's Internal Code of Conduct in Securities Markets.
- (xv) Supervise and promote compliance with the Company's Code of Ethics and Supplier Code of Conduct. It shall also be aware of the reports and proposals submitted to it by these units and areas.
- (xvi) Supervise the performance of the functions assigned to the Company's Regulatory Compliance Unit and the areas responsible for the protection of personal data and the internal codes of conduct of the Company, as well as supervising the operation and promoting the confidential reporting procedure by employees and other persons related to the company - such as directors, shareholders, suppliers, contractors or subcontractors - of potentially significant irregularities - including financial, accounting and other matters - related to the company that they become aware of in the Company or its Group. Such a mechanism shall ensure confidentiality and, in any event, provide for situations in which reports may be made anonymously, respecting the rights of both the whistle-blower and the accused party.
- (xvii) Receive information on disciplinary measures that may affect the Company's directors, as a result of employment misconduct or breaches of internal codes of conduct, convey the relevant policies and instructions to the Company's competent bodies and in those cases which, in the Committee's judgment, are of particular importance, take the final decision.
- (xviii) Guarantee the independence, autonomy and universality of the internal audit function, and propose its budgets. Propose the selection, appointment and removal of the head of the internal audit service, ensuring that his activity is mainly focused on material risks (including reputational risk) and receive periodic information



about his activities verifying that senior management takes into account the conclusions and recommendations of his reports.

- (xix) Supervise the activities of the Company's internal audit and, where appropriate, its subsidiaries, approve its annual work plan and annual activities report, along with the approval or amendment of the policy of the internal audit function, which shall include its functions and competences.
- (xx) Supervise the development by the Company and, where appropriate, its subsidiaries, of the following functions: (i) risk management and internal control; (ii) regulatory compliance verification; and (iii) actuarial.

The Audit and Compliance Committee shall develop this supervisory power with the information provided to it by the heads of each of these functions, who shall appear periodically before the Committee and whenever they are requested by it to do so. In addition, the Audit and Compliance Committee shall have the power, where it considers it appropriate or opportune, to propose the appearance of any of these heads of function before the Company's Board of Directors.

As part of its supervisory role over the risk management and internal control function, the Audit and Compliance Committee will periodically review the functioning of appropriate internal control systems to ensure the proper management of the Company's risks. The Committee shall ensure that the policies and systems established in internal control matters are implemented effectively in practice.

- (xxi) Discuss with the external auditors any significant gaps that may have been detected in the risk management and internal control system during the course of the audit.
- (xxii) Review the Company's general risk map and submit the corresponding proposals to the Board.
- (xxiii) Oversee and guarantee that the internal audit and compliance functions have sufficient means and resources.
- (xxiv) Report on the related party transactions of directors and significant shareholders, with the power, where appropriate, to authorise them in the terms set out in these Regulations.
- (xxv) Approve or amend internal policies that relate to the functions and competences of the Audit and Compliance Committee and which in turn shall contain their functions or competences.
- (xxvi) Be informed of the irregularities, breaches or material risks detected in the course of the control activities of the specific areas within its scope in the Company.
- (xxvii) Review any other matter within its remit that may be given to it by the Board of Directors, the Chairman, the Vice-Chairman or the CEO.
- (xxviii) Any other functions attributed to it by these Regulations or by the Board of Directors.

- 6. The Audit and Compliance Committee will meet regularly on the basis of need and at least four times a year.

7. The Audit and Compliance Committee may request members of the management team or staff of the Company or its Group to attend parts of the Committee's meetings, in which it may require their cooperation and/or access to the information available to them. Attendance at Committee meetings of members of the Company's management team or other staff required for such purposes shall be limited to those matters for which their appearance was requested and they shall leave the meeting once discussion on these has ended.

The Audit and Compliance Committee may also request, in the same terms provided for in the preceding paragraph, attendance at its meetings with the external auditors.

8. For the best performance of its functions, the Audit and Compliance Committee may seek the advice of external professionals, for the purpose of which Article 13 of these Regulations shall apply. Likewise, to carry out its functions, the Audit and Compliance Committee may also call any executive or other employee of the Company or its Group to attend its meetings, and even arrange for them to appear without the presence of any other executive.
9. The Chairman of the Audit and Compliance Committee shall report to the Board of Directors on the matters dealt with and the decisions taken in its meetings at the first Board meeting that takes place after each Committee meeting. The minutes of the Audit and Compliance Committee shall also be available to the members of the Board of Directors.

#### **Artículo 34º- Appointments, Remuneration and Corporate Governance Committee**

1. The Appointments, Remuneration and Corporate Governance Committee shall consist of a minimum of three and a maximum of five non-executive directors appointed by the Board of Directors ensuring that they have the knowledge, skills and experience necessary to carry out the Committee's function. The majority of the members of the Appointments, Remuneration and Corporate Governance Committee shall be independent directors.
2. The Board of Directors shall appoint the Chairman of the Appointments, Remuneration and Corporate Governance Committee from among the independent directors who are part of the Appointments, Remuneration and Corporate Governance Committee. The Appointments, Remuneration and Corporate Governance Committee shall appoint its Secretary, without the need for them to be a director or a member of the Committee. In the absence of a specific appointment, the Secretary to the Board of Directors shall be the Secretary to the Committee.
3. Without prejudice to other tasks assigned to it by the bylaws and the Board of Directors, the Appointments, Remuneration and Corporate Governance Committee shall have the following basic responsibilities:
  - (i) Propose the appointment, ratification, re-election and removal of independent directors and report on these in relation to the other directors.
  - (ii) Submit proposals to the Board of Directors on the appointment of independent directors by co-optation or the resolution of the General Shareholders' Meeting, as well as proposals for the re-election or separation of these directors by the General Shareholders' Meeting.
  - (iii) Ensure that when vacancies occur, selection procedures are free from implicit biases that may act as an obstacle to the selection of candidates belonging to the less

represented gender on the Board of Directors, ensuring that they are included among the potential candidates to be members of that body.

- (iv) Propose the appointment, re-election and removal of the Chairmen and members of the Board Committees.
- (v) Assess the balance of skills, capacity, knowledge, diversity and experience needed on the Board of Directors. To this effect, it will define the duties and abilities required by candidates to fill each vacancy and assess the time and dedication needed for them to carry out their roles effectively, verifying that non-executive directors have sufficient time available for the proper performance of their duties.
- (vi) Assess on a regular basis, and at least once a year, the suitability of the Board of Directors as a whole and of its individual members, and inform the Board accordingly.
- (vii) Establish a target for representation of the under-represented gender on the Board of Directors and draw up guidelines on how to reach that target.
- (viii) Analyse on an annual basis the existence and updating of succession plans for the Chairman, and where applicable, the Vice-Chairman and the Chief Executive Officer, and to submit the outcome of that assessment to the Board of Directors so that the succession occurs in a planned and orderly manner.
- (ix) Report on proposals for the appointment of the Company's other directors by co-optation or the resolution of the General Shareholders' Meeting, as well as those for the re-election or separation of these directors by the General Shareholders' Meeting.
- (x) In accordance with the provisions of the General Shareholders' Meeting Regulations, report, where appropriate and through its Chairman, to the General Shareholders' Meeting, on the Committees' activities during the financial year, as well as on questions which shareholders may have raised, prior to it being held, on matters within the Committees' scope.
- (xi) Report on the appointment and removal of directors or directors of subsidiaries or investees acting on behalf of or proposed by the Company.
- (xii) Propose to the Board of Directors, on the basis of the specific needs of the new directors, the setting up of an induction programme which provides knowledge considered to be sufficient on the Company, its operation and its corporate governance rules. In addition, it will also ensure that training programmes to update the existing directors' knowledge are also established, when circumstances make this advisable
- (xiii) Report to the Board of Directors on the candidates for appointment as Patrons of the LINEA DIRECTA FOUNDATION, which the Company is responsible for.
- (xiv) Propose to the Board, for its approval, the directors' remuneration policy and their individual remuneration, as well as the corresponding annual report on directors' remuneration, which the Board shall put to the vote of the General Shareholders' Meeting, on an advisory basis.
- (xv) Propose to the Board the individual remuneration of the executive directors and,

where appropriate, the external directors, for the performance of duties other than those in their capacity as a director, and other terms and conditions of their contracts.

- (xvi) Propose the remuneration policy of senior management, including general managers or those who perform their senior management duties with direct report to the Board, Executive Committees or CEOs, as well as individual remuneration and other basic terms and conditions of their contracts.
- (xvii) The remuneration of identified staff who, while not members of senior management, carry out professional activities that could have a material impact on the Company's risk taking.
- (xviii) Monitor the degree of implementation of remuneration policy in general during the financial year, and ensure its enforcement.
- (xix) Report on the approval and substantial amendment of the Company's general system of executive remuneration and the basic conditions of their contracts. It is also part of its functions to oversee the remuneration system of the executives in charge of the internal audit function, and the risk management and internal control, regulatory compliance verification and actuarial functions.
- (xx) Review the remuneration programmes on a regular basis, evaluating their adaptiveness and performance and ensuring that directors' remuneration conforms to standards of moderation and corresponds to the Company's earnings.
- (xxi) Ensure the transparency of remuneration and the inclusion in the notes to the financial statements and in all other annual reports that contain information on the remuneration of directors and senior managers, and, for such purposes, submit all applicable information to the Board.
- (xxii) Report on incentive plans for executives or employees linked to the performance of the Company's share price or other variable indices and on the remuneration systems of the entity's management team based on group personal pension schemes or deferred remuneration systems where appropriate.
- (xxiii) Supervise and review the Company's compliance system.
- (xxiv) Ensure that potential conflicts of interest do not jeopardise the independence of any external advice provided to the Committee.
- (xxv) Report on the Company's main corporate governance projects and regulations, prior to their approval by the Board of Directors.
- (xxvi) Propose to the Board of Directors the approval of the Company's annual corporate governance report in the sections of its competence.
- (xxvii) Oversee the Company's corporate governance with the aim of supervising compliance with the rules adopted by the Company and to guarantee the balance of power, the proper functioning of the Company's governing and management bodies, the independence of directors and the adaptation of the system to new rules and recommendations and to national and international best practices, ensuring that the corporate culture is aligned with the Company's mission and values.

- (xxviii) Supervise and ensure that the conditions that ensure the effective independence of independent directors are maintained in substantive aspects such as the attitude, capacity for discussion and effective participation of independent directors.
  - (xxix) Ensuring that the climate of the Board of Directors and the relationships between directors encourage debate and the freedom of expression of all Board members, and that the Board meetings discuss and resolve matters by giving them the weight and depth they require.
  - (xxx) Ensure that the annual meetings schedule of the Board of Directors and its Committees includes the most important issues for the Company.
  - (xxxi) Propose to the Board of Directors any practices that it considers contribute to the development of the Company's Corporate Governance and advise the Chairman of the Board of Directors on this matter.
  - (xxxii) Monitor the Company's sustainability strategy and practices, assess its degree of compliance and review its sustainability policies, ensuring that they are aimed at value creation.
  - (xxxiii) Overseeing that the Company's social and environmental practices are in line with the policies set.
  - (xxxiv) Review any matter within its remit that may be given to it by the Board of Directors, the Chairman, the Vice-Chairman or the CEO.
  - (xxxv) Any other functions attributed to it by these Regulations or by the Board of Directors.
4. The Appointments, Remuneration and Corporate Governance Committee shall consider suggestions made to it by the Chairman, members of the Board of Directors, executives or shareholders of the Company. In particular, any director may propose potential candidates to the Appointments, Remuneration and Corporate Governance Committee, who, in their opinion, would be suitable to fill vacancies among the directors.
  5. The Appointments, Remuneration and Corporate Governance Committee shall consult the Chairman of the Board of Directors and the company's CEO, especially in relation to matters concerning executive directors and senior executives.
  6. The Appointments, Remuneration and Corporate Governance Committee shall meet each time the Board of Directors or its Chairman requests the issuance of a report or the adoption of proposals and whenever it is appropriate for the proper development of its functions. In any case, it will meet once a year to prepare information on the directors' remuneration that the Board of Directors has to approve and include in its annual public documentation.
  7. The Chairman of the Appointments, Remuneration and Corporate Governance Committee shall inform the Board of Directors of the matters dealt with and the decisions taken within it. The minutes of this Committee shall also be made available to the members of the Board of Directors.

## TITLE V

### OPERATION OF THE BOARD OF DIRECTORS

### **Artículo 35°- Meetings of the Board of Directors**

1. The Board of Directors shall meet, on an ordinary basis when called to do so by its Chairman, as many times as is deemed appropriate for the smooth operation of the Company and the proper development of the functions that the Board of Directors has assigned to it and, at least, eight times a year, with a minimum of once every quarter, following the schedule of dates and matters established at the beginning of the financial year.
2. The call for the ordinary sessions shall be made by letter with acknowledgement of receipt, fax, telegram, e-mail or by any means valid in law which provides proof of sending and shall be authorised with the signature of the Chairman of the Board of Directors or that of the Secretary or Vice-Secretary by order of the Chairman. The call will be made at least five calendar days in advance.
3. The call shall always include, unless there is just cause not to do so, the meeting agenda (indicating those items on which the Board is required to make a decision or resolution) and shall be accompanied, where appropriate, by the information that is deemed necessary. Where, exceptionally and for reasons of urgency, the Chairman wants to submit decisions or agreements that are not on the agenda to the approval of the Board of Directors, the prior and express consent of the majority of the directors present will be required, of which due record will be made in the minutes.
4. Any director may ask the Chairman or the Lead Director to include items on the agenda and they will be obliged to include them where the request has been made no less than three days before the scheduled date of the meeting.
5. Extraordinary meetings of the Board of Directors may be convened by telephone and the notice period and other requirements set out in this article shall not apply, when, in the Chairman's judgment, circumstances justify it.
6. The Board shall carry out the annual self-assessment of its operation and the individual performance of its members and Committees and propose, on the basis of its outcome, an action plan to correct the gaps identified. The results of that assessment shall be recorded in the minutes of the meeting or added as an attachment. At least every three years, the assessment shall be carried out by an external expert appointed by the Board for that purpose.

### **Artículo 36°- Conduct of the meetings and adoption of resolutions**

1. Meetings of the Board of Directors shall be validly constituted when more than half of its members are present in person or by proxy. The directors shall make every effort to attend the meetings of the Board of Directors and, where they are unable to do so personally, shall ensure that any proxy they may grant is in favour of another director in the same category and includes appropriate instructions. In any case, non-executive directors may only grant a proxy to another non-executive director.
2. Except where other voting *quorums* have specifically been established, the resolutions shall be adopted by an absolute majority of votes and proxies. In the event of a tie, the Chairman of the Board of Directors shall have the tie-breaking vote.
3. Where one or more directors or the Secretary to the Board of Directors express any concerns about the proposals discussed within the Board meeting and these are not resolved

during the meeting itself, such concerns shall be recorded in the minutes, provided that the director(s) or the Secretary requests it.

## **TITLE IX**

### **ANNUAL CORPORATE GOVERNANCE REPORT AND BOARD OF DIRECTORS RELATIONS**

#### **Artículo 37º- Annual Corporate Governance Report**

1. The Board of Directors, on a report of the Appointments, Remuneration and Corporate Governance Committee, shall annually approve a report on the Company's corporate governance that will be made available to shareholders together with the documentation of the Ordinary General Shareholders' Meeting.
2. The annual corporate governance report will provide a detailed explanation of the structure of the Company's governance system and its operation in practice, in accordance with the legally provided content.
3. The annual corporate governance report will be published as provided for by law.

#### **Artículo 38º- Policy of relations with shareholders and other stakeholders**

1. The Board of Directors shall define and promote a general policy on the communication of economic-financial, non-financial and corporate information, as well as the Company's communication with its shareholders, institutional investors, proxy advisors and other stakeholders. The Company will publish this policy on its website.
2. The Board of Directors shall maintain an updated Company website, in accordance with current regulations, and on which the information that is legally, statutorily and regulatorily required will be accessible.
3. The Board of Directors shall moderate the appropriate channels to find out what sort of proposals shareholders might make in relation to the Company's management.
4. The Board of Directors, through some of its directors and with the assistance of those members of senior management it considers appropriate, may organise informative meetings on the performance of the Company and its Group, for shareholders living in the major financial centres in Spain and other countries.
5. Public requests for proxies made by the Board of Directors or any of its members shall indicate the direction in which the proxy shall vote in the event that the shareholder does not provide instructions and, where appropriate, disclose the existence of conflicts of interest.
6. The Board of Directors shall encourage the informed participation of shareholders in the General Shareholders' Meetings and take all appropriate measures to facilitate the effective performance of the functions given to that meeting by the law and the bylaws.

#### **Artículo 39º- Relations with institutional investors and proxy advisors**

1. Within the framework of the policy referred to in the previous article, the Board of Directors shall also establish appropriate mechanisms for the exchange of regular

information with institutional investors, who are part of the Company's shareholder structure, and with proxy advisers.

2. Under no circumstances may relations between the Board of Directors and such groups result in them receiving any information that could put them in a privileged position or at an advantage over other shareholders.

#### **Artículo 40º- Relations with the markets**

1. The Board of Directors shall inform the public in the legally established form and shall carry out the following specific measures in relation to securities markets:
  - a) Approval of periodic public information of a financial nature.
  - b) Carrying out all actions and adopting all measures necessary to ensure the Company's transparency in relation to the financial markets, informing them, in particular, of all events, decisions or circumstances that could have a material effect on the share price.
  - c) Carrying out all actions and adopting all measures necessary to encourage an accurate determination of the Company's share price, avoiding in particular manipulations and abuses of insider information.
  - d) Substantial changes to the Company's governance rules.
2. The Board of Directors shall take the necessary measures to ensure that periodic financial information and any other information required to be made available to the markets is prepared in accordance with the same professional principles, standards and practices with which the financial statements are drawn up and that it has the same degree of reliability. For this purpose, such information will be reviewed by the Audit and Compliance Committee.
3. The Company's corporate website will publish the following information about the directors and keep it up-to-date:
  - a) Professional and biographical profile.
  - b) Other boards of directors to which they belong, whether or not they are listed companies, as well as other remunerated activities they carry out, whatever their nature.
  - c) Indication of the category of director to which they belong, indicating, in the case of external proprietary directors, the shareholder they represent or with whom they have links.
  - d) Dates of their first and subsequent appointments as director.
  - e) Shares of the Company, and options on them, that they hold.

#### **Artículo 41º- Relations with the auditors**

1. The Board of Directors' relations with the Company's external auditors shall be channelled through the Audit and Compliance Committee.



2. [The Board of Directors shall not hire as external auditor those audit firms at which the fees intended to be paid to them, for any and all services, exceed [5]% of its total income during the last financial year.]
3. The Board of Directors shall make public the overall amount of fees paid by the Company to the audit firm for services other than auditing.
4. The Board of Directors shall endeavour to prepare the financial statements in such a way that there is no possibility of them receiving a qualified opinion from the external auditor. However, where the Board considers that it should maintain its view, it will publicly explain the content and scope of the qualification.

## **TITLE**

### **X FINAL PROVISIONS**

#### **Artículo 42º- Definitions**

1. The Company's senior management, for the purposes of these Regulations, is considered to be those executives who report directly to the Board of Directors or any of its members.
2. Directors' affiliates are considered to be those designated in Article 231 of the Spanish Corporate Enterprises Act.

#### **Artículo 43º- Remote communications**

For the purposes of any communication and information activities, mandatory or voluntary, between the Company, the Board of Directors, the Board Committees, directors and shareholders, provided for in these Regulations, regardless of the issuer and the recipient of the communications; telephone, electronic media and other distance communication techniques shall be fully effective in accordance with the provisions of the bylaws. The email addresses reciprocally provided by the Company and by each director shall be deemed valid in this regard.

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