



RED ELÉCTRICA
CORPORACIÓN

Board of Directors

10 March 2015

Amendment of the Company By-laws



AMENDMENT OF THE COMPANY BY-LAWS (Point Six, sections 1, 2 and 3 of the General Meeting Agenda)

AMENDMENT OF THE COMPANY BY-LAWS IN ORDER TO ADJUST TO THE LATEST LEGISLATIVE REFORMS INTRODUCED BY ACT 31/2014, OF 3 DECEMBER, AMENDING THE SPANISH COMPANIES ACT TO IMPROVE CORPORATE GOVERNANCE. AMENDMENT OF ARTICLES 11 “GENERAL SHAREHOLDERS MEETING”, 12 “TYPES OF MEETING”, 14 “CALLING OF THE MEETING”, 15 “RIGHT OF INFORMATION AND ATTENDANCE AT MEETINGS”, 17 “PRESIDING PANEL, DELIBERATIONS”, 20 “THE BOARD OF DIRECTORS”, 21 “OPERATION OF THE BOARD OF DIRECTORS”, 22 “COUNCIL COMMITTEES AND DELEGATION OF POWERS”, 23 “AUDITING COMMITTEE”, 24 “GOVERNANCE AND CORPORATE RESPONSIBILITY COMMITTEE”, 25 “THE COMPANY’S CHAIRMAN”, 25.BIS “THE LEAD INDEPENDENT DIRECTOR” AND 26 “THE BOARD SECRETARY”.

I. EXPLANATORY REPORT ISSUED BY THE BOARD OF DIRECTORS ON POINT SIX, SECTIONS 1, 2 AND 3, OF THE GENERAL MEETING AGENDA IN RELATION TO AN AMENDMENT OF THE BY-LAWS.

1. OBJECT OF THE REPORT.

The Board of Directors of Red Eléctrica Corporación, S.A. (hereinafter, the “Company”), at a meeting held on 10 March 2015, has decided to present to the General Shareholders Meeting, under Point Six of the Agenda, sections 1, 2 and 3, an amendment of the following articles of the Company By-laws: Articles 11 “General Shareholders Meeting”, 12 “Types of Meeting”, 13 “Calling of the Meeting”, 15 “Right of information and attendance at Meetings”, 17 “Presiding Panel, deliberations”, 20 “The Board of Directors”, 21 “Operation of the Board of Directors”, 22 “Board Committees and Delegation of Powers”, 23 “Auditing Committee”, 24 “Governance and Corporate Responsibility Committee”, 25 “The Company’s Chairman”, 25.bis “The Lead Independent Director” and 26 “The Board Secretary”.

This Report is hereby drawn up by the Company’s Board of Directors in compliance with the provisions established in Article 286 of the Spanish Companies Act [*Ley de Sociedades de Capital*] (“LSC”), which requires that the directors of joint stock companies, in order to amend their By-laws, draw up the full text of the amendment proposed, likewise drawing up a written explanatory report.

According to Article 287 LSC, the call notice of the General Meeting should clearly indicate the matters to be amended, stating the right held by all shareholders to examine at the registered address the full version of the amendment proposed and relevant report, and to request that said documents be handed over or delivered cost-free. These documents will also be made continuously available on the Company’s website following publication of the call notice, pursuant to Article 518 LSC.

2. REASONS FOR THE BY-LAW REFORM

The amendment of the Company By-laws, for which approval is sought from the General Shareholders Meeting, aims to update its content in order to adjust to the changes made in the LSC by Act 31/2014, of 3 December, amending the Spanish Companies



Act to improve corporate governance (hereinafter, Act 31/2014), which came into force on 24 December 2014.

The amendment proposes covers all those matters where Company By-laws clauses have been affected by the new rules introduced in the LSC by Act 31/2014, in order to ensure that the By-laws fully conform to the current version of the LSC and to avoid any possible contradictions or inconsistencies. As a result, the amendment will gather all the novelties introduced by Act 31/2014 which, in the Board of Directors' opinion, are not materially gathered in the current version and which are deemed adequate and necessary to include in the Company's By-laws, in such a way that the By-laws are entirely updated in the terms indicated below.

Further to best corporate governance practice and as provided in Article 197.bis LSC, it is hereby proposed to present to the General Meeting the following amendments of the Company By-laws, grouped by matter into independent sections. There are three essential material units:

- a) The General Meeting and shareholders' rights.
- b) The legal regime applicable to directors and to the Board of Directors.
- c) The Board Committees, separately from the general unit on the Board of Directors indicated above, given that the matter is sufficiently relevant and independent and merits separate treatment.

Finally, further to this update, certain stylistic or structural changes to the Company By-laws have also been proposed and included in each applicable unit.

3. PROPOSED AMENDMENTS

Further to the foregoing, it is hereby proposed:

- 1) To amend Article 11 ("The General Shareholders Meeting"), in order to adjust its content to new Articles 160 and 511.bis LSC, extending the number of matters entrusted to the General Shareholders Meeting.

Consequently, it is hereby proposed to amend Article 11 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):

Original	New wording proposed
<p>Article 11.- Shareholders Meeting</p> <p>Shareholders, met together in a Shareholders Meeting which has been duly called, shall decide by majority on the matters within the powers of the Shareholders Meeting or on those which are submitted by the Board of Directors, notwithstanding the fact that the Shareholders Meeting cannot usurp or assume powers which are under the exclusive jurisdiction of the Board of Directors.</p> <p>In accordance with the Spanish Compa-</p>	<p>Article 11.- Shareholders Meeting</p> <p>Shareholders, met together in a Shareholders Meeting which has been duly called, shall decide by majority on the matters within the powers of the Shareholders Meeting or on those which are submitted by the Board of Directors, notwithstanding the fact that the Shareholders Meeting cannot usurp or assume powers which are under the exclusive jurisdiction of the Board of Directors.</p> <p>In accordance with the Spanish Compa-</p>



nies Act, the Shareholders Meeting has power to deliberate and resolve on the following matters:

- a) The approval of the financial statements, the distribution of income or allocation of loss, and approval of the conduct of management of the Company.
- b) The appointment and removal of Directors, liquidators and, as the case may be, auditors, as well as the filing of a corporate action for liability against any of them.
- c) The amendment of the Corporate By-laws.
- d) Capital increases and reductions.
- e) The removal or limitation of the preemptive right of subscription or assumption.

- f) An alteration of legal form, merger, spin-off or transfer en bloc of assets and liabilities, and transfer abroad of the registered office.
- g) The dissolution of the Company.
- h) The approval of the final liquidation balance sheet.

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- a) The approval of the financial statements, the distribution of income or allocation of loss, and approval of the conduct of management of the Company.
- b) The appointment and removal of Directors, liquidators and, as the case may be, auditors, as well as the filing of a corporate action for liability against any of them.
- c) The amendment of the Corporate By-laws.
- d) Capital increases and reductions.
- e) The removal or limitation of the preemptive right of subscription or assumption.
- f) [Ordering the acquisition, disposal or contribution to another company of essential assets. An asset will be presumed essential whenever the transaction amount exceeds twenty-five per cent of the "Assets" item reflected in the latest approved balance sheet.](#)
- g) An alteration of legal form, merger, spin-off or transfer en bloc of assets and liabilities, and transfer abroad of the registered office.
- h) The dissolution of the Company.
- i) The approval of the final liquidation balance sheet.
- j) [To approve a transfer to dependent entities of essential activities executed until then by the Company, even if the latter continues to fully own the former.](#)
- k) [Approval of the remuneration policy for Directors, in the terms established in the Spanish Compa-](#)



<p>i) Any other matters determined by the law or the Corporate By-laws.</p> <p>In particular, the Shareholders Meeting shall have the power to approve transactions the effect of which is equivalent to that of the modification of the corporate purpose or to the liquidation of the Company.</p> <p>All shareholders, including dissenting and absent shareholders, shall be subject to the resolutions of the Shareholders Meeting notwithstanding the statutory rights and remedies acknowledged to them.</p> <p>The Shareholders Meeting shall be governed by the applicable legislation, by these By-laws and by its Regulations.</p> <p>The Company guarantees at all times the equal treatment of all shareholders in the same position as regards information, participation and exercise of the right to vote at the Shareholder's Meeting.</p>	<p>nies Act.</p> <p>l) Any other matters determined by the law or the Corporate By-laws.</p> <p>In particular, the Shareholders Meeting shall have the power to approve transactions the effect of which is equivalent to that of the modification of the corporate purpose or to the liquidation of the Company.</p> <p>All shareholders, including dissenting and absent shareholders, shall be subject to the resolutions of the Shareholders Meeting notwithstanding the statutory rights and remedies acknowledged to them.</p> <p>The Shareholders Meeting shall be governed by the applicable legislation, by these By-laws and by its Regulations.</p> <p>The Company guarantees at all times the equal treatment of all shareholders in the same position as regards information, participation and exercise of the right to vote at the Shareholders Meeting.</p>
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2) To amend Article 12 ("Types of Meeting"), in order to adjust its content to the new wording of Article 495.2 LSC, reducing to 3% the minimum percentage required for minority shareholders to exercise their rights, to particularly include the right to request a call of extraordinary meetings.

Consequently, it is hereby proposed to amend Article 12 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):

Original	New wording proposed
<p>Article 12.- Types of Meeting</p> <p>Shareholders Meetings may be Ordinary or Extraordinary and must be called by the Company's Board of Directors.</p> <p>The Ordinary Shareholders Meeting must be held, following the relevant call, within the first six months of each fiscal year, with a view to ratifying the conduct of management of the Company, approv-</p>	<p>Article 12.- Types of Meeting</p> <p>Shareholders Meetings may be Ordinary or Extraordinary and must be called by the Company's Board of Directors.</p> <p>The Ordinary Shareholders Meeting must be held, following the relevant call, within the first six months of each fiscal year, with a view to ratifying the conduct of management of the Company, approv-</p>



<p>ing, if appropriate, the financial statements and the management report for the previous fiscal year and resolving, as the case may be, on the distribution of income or allocation of loss.</p> <p>Any other matter reserved by law or in the By-laws to the authority of the Shareholders Meeting may be decided at an Ordinary or Extraordinary Meeting.</p> <p>The Ordinary Shareholders Meeting shall be valid even where called or held late.</p> <p>An Extraordinary Shareholders Meeting shall be held whenever so resolved by the Board of Directors or when requested by a number of shareholders representing at least five percent of the capital stock, stating in their request the business to be transacted at the Meeting. In such case, the Shareholders Meeting must be called to be held within the two months following the date on which the Board of Directors was asked, by way of a notary, to call the Meeting, and the business requested must be included in the Meeting agenda.</p>	<p>ing, if appropriate, the financial statements and the management report for the previous fiscal year and resolving, as the case may be, on the distribution of income or allocation of loss.</p> <p>Any other matter reserved by law or in the By-laws to the authority of the Shareholders Meeting may be decided at an Ordinary or Extraordinary Meeting.</p> <p>The Ordinary Shareholders Meeting shall be valid even where called or held late.</p> <p>An Extraordinary Shareholders Meeting shall be held whenever so resolved by the Board of Directors or when requested by a number of shareholders representing at least five <u>three</u> percent of the capital stock, stating in their request the business to be transacted at the Meeting. In such case, the Shareholders Meeting must be called to be held within the two months following the date on which the Board of Directors was asked, by way of a notary, to call the Meeting, and the business requested must be included in the Meeting agenda.</p>
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3) To amend Article 13 (“Calling of the Meeting”), in order to adjust its content to aforementioned Article 495.2, as well as the new wording of Articles 518 and 519 LSC, as follows:

- a) To lower the percentage capital stock required to be able to request the publication of a complement to the call notice, exercising the right to complete the agenda and presenting new proposed resolutions.
- b) To include additional documents, to be published on the Company’s website following publication of the call notice, particularly for the appointment, ratification or re-election of directors.
- c) Other minor amendments in line with Act 31/2014.

Consequently, it is hereby proposed to amend Article 13 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):

Original	New wording proposed
Article 13.- Calling of Meetings	Article 13.- Calling of Meetings
1. Both Ordinary and Extraordinary	1. Both Ordinary and Extraordinary



Shareholders Meetings must be called by means of a notice published in, at least, one of the following media: (i) the Official Gazette of the Mercantile Registry or one of the largest circulation newspapers in Spain; (ii) the website of the Spanish National Securities Market Commission; and (iii) the Company website. The notice published on the Company website shall remain accessible on the website at least until the Shareholders Meeting is held. The Board of Directors may decide to publish the notice in such other media as it may see fit to give greater publicity to the call.

2. The call shall be made at least one month prior to the date set for holding the Meeting. Notwithstanding the foregoing, where the Company offers shareholders the possibility of voting by electronic means that are accessible to all, Extraordinary Shareholders Meetings may be called a minimum of fifteen days in advance. The reduction of the call period shall require an express resolution adopted at the Shareholders Meeting by at least two-thirds of the subscribed voting capital stock and the period of validity of which may not extend beyond the date of the next Meeting.

3. The call notice shall indicate the name of the Company, date and timing of the Meeting on first call, the agenda with all the business to be transacted thereat, the office of the person or persons making the call, the date by which shareholders must have registered the shares in their name in order to be able to participate in and vote at the Shareholders Meeting, the place and form in which the full text of the documents and proposed resolutions can be obtained, and the address of the Company website on which the information will be available. The date on which, if appropriate, the Meeting is to be held on second call may also be stated. A minimum period of 24 hours must elapse between the two Meetings.

The notice shall also contain clear and exact information on the formalities to be

Shareholders Meetings must be called by means of a notice published in, at least, one of the following media: (i) the Official Gazette of the Mercantile Registry or one of the largest circulation newspapers in Spain; (ii) the website of the Spanish National Securities Market Commission; and (iii) the Company website. The notice published on the Company website shall remain accessible on the website at least until the Shareholders Meeting is held. The Board of Directors may decide to publish the notice in such other media as it may see fit to give greater publicity to the call.

2. The call shall be made at least one month prior to the date set for holding the Meeting. Notwithstanding the foregoing, where the Company offers shareholders the possibility of voting by electronic means that are accessible to all, Extraordinary Shareholders Meetings may be called a minimum of fifteen days in advance. The reduction of the call period shall require an express resolution adopted at the Shareholders Meeting by at least two-thirds of the subscribed voting capital stock and the period of validity of which may not extend beyond the date of the next Meeting.

3. The call notice shall indicate the name of the Company, date and timing of the Meeting on first call, the agenda with all the business to be transacted thereat, the office of the person or persons making the call, the date by which shareholders must have registered the shares in their name in order to be able to participate in and vote at the Shareholders Meeting, the place and form in which the full text of the documents and proposed resolutions can be obtained, and the address of the Company website on which the information will be available. The date on which, if appropriate, the Meeting is to be held on second call may also be stated. A minimum period of 24 hours must elapse between the two Meetings.

The notice shall also contain clear and exact information on the formalities to be



completed by shareholders in order to be able to participate in and vote at the Shareholders Meeting, including, in particular, the following aspects:

- a) The right to request information, to include items on the agenda and to submit proposed resolutions, as well as the period for exercise of the right. Where it is placed on record that more detailed information on such rights can be obtained on the Company website, the notice may limit itself to indicating the period for exercise of the right.
- b) The system for the casting of votes by proxy, with special indication of the forms to be used to grant the proxy and the means to be used so that the Company can accept notification by electronic means of the proxies granted.
- c) The procedures established for casting votes by remote means, whether by post or electronic means.

The call notice must state the right of shareholders to examine at the registered office and to obtain immediately free of charge the documents that are to be submitted to the approval of the Shareholders Meeting, and the technical reports established in the Law. Should the Shareholders Meeting have to decide on any amendment to the By-laws, the call notice must state, with due clarity, the points which are to be amended.

4. Shareholders owning five percent of the capital stock may ask the Board of Directors, within the period between the Company's last Shareholders Meeting and the date on which the Board resolves to call the next Meeting, to include any item on the agenda for the next Shareholders Meeting. Said request must be made in the manner and on the terms stipulated in the Regulations of the Shareholders Meeting. The Board shall include on the agenda the items re-

completed by shareholders in order to be able to participate in and vote at the Shareholders Meeting, including, in particular, the following aspects:

- a) The right to request information, to include items on the agenda and to submit proposed resolutions, as well as the period for exercise of the right. Where it is placed on record that more detailed information on such rights can be obtained on the Company website, the notice may limit itself to indicating the period for exercise of the right.
- b) The system for the casting of votes by proxy, with special indication of the forms to be used to grant the proxy and the means to be used so that the Company can accept notification by electronic means of the proxies granted.
- c) The procedures established for casting votes by remote means, whether by post or electronic means.

The call notice must state the right of shareholders to examine at the registered office and to obtain immediately free of charge the documents that are to be submitted to the approval of the Shareholders Meeting, and the technical reports established in the Law. Should the Shareholders Meeting have to decide on any amendment to the By-laws, the call notice must state, with due clarity, the points which are to be amended.

4. Shareholders owning ~~five~~ three percent of the capital stock may ask the Board of Directors, within the period between the Company's last Shareholders Meeting and the date on which the Board resolves to call the next Meeting, to include any item on the agenda for the next Shareholders Meeting. Said request must be made in the manner and on the terms stipulated in the Regulations of the Shareholders Meeting. The Board shall include on the agenda the items re-



requested in the manner which best suits the interests of the Company, provided that they relate to matters which are within the powers of the Shareholders Meeting.

5. From the publication of the call notice and until the holding of the Shareholders Meeting, the Company must publish, on an uninterrupted basis, at least the following information on its website:

- a) The call notice.
- b) The total number of shares and voting rights at the date of the call, broken down by share class, if any.
- c) The documents to be submitted to the Shareholders Meeting and, in particular, reports from directors, auditors and independent experts.
- d) The full text of the proposed resolutions or, if none, a report by the competent bodies on each of the items on the agenda. Proposed resolutions submitted by shareholders shall also be included when they are received.
- e) The forms to be used for voting by proxy and remote voting, except when they are sent directly by the Company to each shareholder. Where they cannot be published on the website for technical reasons, the Company must indicate on the website how to obtain the forms on paper and must send them to any shareholder who so requests.

requested in the manner which best suits the interests of the Company, provided that they relate to matters which are within the powers of the Shareholders Meeting.

5. From the publication of the call notice and until the holding of the Shareholders Meeting, the Company must publish, on an uninterrupted basis, at least the following information on its website:

- a) The call notice.
- b) The total number of shares and voting rights at the date of the call, broken down by share class, if any.
- c) The documents to be submitted to the Shareholders Meeting and, in particular, reports from directors, auditors and independent experts.
- d) The full text of the proposed resolutions on each and every one of the points in the agenda or, in relation to points of a merely informative nature if none, a report by the competent bodies on each of said points ~~the items on the agenda~~. Proposed resolutions submitted by shareholders shall also be included when they are received.
- e) For the appointment, ratification or re-election of members of the Board of Directors, the identity, c.v. and category to which each one belongs, as well as the proposal and reports referred to in Article 529.decies of the Spanish Companies Act. For legal entities, the information will include details of the individual appointed to permanently perform the tasks inherent to this post.
- f) ~~e)~~ The forms to be used for voting by proxy and remote voting, except when they are sent directly by the Company to each shareholder.



<p>6. Shareholders representing at least five percent of the capital stock may request the publication of a supplement to the call notice for an Ordinary Shareholders Meeting, including one or more items on the agenda, provided that the new items are accompanied by a justification or, as the case may be, a justified proposed resolution. In no case may such right be exercised with respect to the call for Extraordinary Shareholders Meetings. This right must be exercised by giving duly authenticated notice which must be received at the registered office within five days after the publication of the call notice. The supplement to the call notice must be published at least fifteen days prior to the date set for holding the Shareholders Meeting. Failure to publish the supplement to the call notice by the statutory deadline shall be a ground for rendering the Shareholders Meeting void.</p> <p>7. Shareholders representing at least five percent of the capital stock may, in the same period indicated in the preceding paragraph, submit reasoned proposals for resolutions on items already included or to be included in the agenda for the Shareholders Meeting called. The Company shall ensure the dissemination of these proposed resolutions and of any accompanying documentation to the rest of the shareholders, in accordance with the provisions of subarticle 5 d) hereof.</p> <p>8. Shareholders Meetings shall be held in Spain at such venue as may be decided in each case by the Board of Directors, and as shall be duly indicated in the call notice.</p>	<p>Where they cannot be published on the website for technical reasons, the Company must indicate on the website how to obtain the forms on paper and must send them to any shareholder who so requests.</p> <p>6. Shareholders representing at least five <u>three</u> percent of the capital stock may request the publication of a supplement to the call notice for an Ordinary Shareholders Meeting, including one or more items on the agenda, provided that the new items are accompanied by a justification or, as the case may be, a justified proposed resolution. In no case may such right be exercised with respect to the call for Extraordinary Shareholders Meetings. This right must be exercised by giving duly authenticated notice which must be received at the registered office within five days after the publication of the call notice. The supplement to the call notice must be published at least fifteen days prior to the date set for holding the Shareholders Meeting. Failure to publish the supplement to the call notice by the statutory deadline shall be a ground for challenging rendering the Shareholders Meeting void.</p> <p>7. Shareholders representing at least five <u>three</u> percent of the capital stock may, in the same period indicated in the preceding paragraph, submit reasoned proposals for resolutions on items already included or to be included in the agenda for the Shareholders Meeting called. The Company shall ensure the dissemination of these proposed resolutions and of any accompanying documentation to the rest of the shareholders, in accordance with the provisions of subarticle 5 d) hereof.</p> <p>8. Shareholders Meetings shall be held in Spain at such venue as may be decided in each case by the Board of Directors, and as shall be duly indicated in the call notice.</p>
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4) To amend Article 15 (“Right of information and attendance at Meetings”), in order to adjust its content to the provisions established in the new version of Article 197, 520 and 524 LSC, to particularly include:

- a. Greater detail of the situations when information requested by a shareholder may be denied.
- b. Extension of the timeframe in which shareholders may request information, in relation to the Meeting.
- c. The possibility of intermediary entities acting as shareholders being able to fraction their vote and grant a proxy.
- d. Other minor changes, to form and style.

Consequently, it is hereby proposed to amend Article 15 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):

Original	New wording proposed
<p>Article 15.- Right to information and attendance at Meetings</p> <p>Shareholders may attend the Shareholders Meeting if they are up to date in the payment of calls on unpaid capital and evidence their ownership by way of certification of the registration of their name in the accounting record of book entries at least five days before the date on which the Shareholders Meeting is to be held. Shareholders shall ask the entity in charge of the accounting record of book entries for the appropriate certificate of entitlement or equivalent document from the accounting record of book entries of the Company’s securities, in order to obtain, where necessary, the appropriate attendance card from the Company. Directors must attend Shareholders Meetings.</p> <p>Shareholders who are entitled to attend may be represented at the Shareholders Meeting by another person, in the manner established by Articles 184 through 187 and 521 through 524 of the Spanish Companies Act, in relation, in any case, to the provisions of these By-laws. Proxies must be conferred in writing and specifically for each Meeting.</p>	<p>Article 15.- Right to information and attendance at Meetings</p> <p>Shareholders may attend the Shareholders Meeting if they are up to date in the payment of calls on unpaid capital and evidence their ownership by way of certification of the registration of their name in the accounting record of book entries at least five days before the date on which the Shareholders Meeting is to be held. Shareholders shall ask the entity in charge of the accounting record of book entries for the appropriate certificate of entitlement or equivalent document from the accounting record of book entries of the Company’s securities, in order to obtain, where necessary, the appropriate attendance card from the Company. Directors must attend Shareholders Meetings.</p> <p>Shareholders who are entitled to attend may be represented at the Shareholders Meeting by another person, in the manner established by Articles 184 through 187 and 521, <u>522, 523 and through</u> 524 of the Spanish Companies Act, in relation, in any case, to the provisions of these By-laws. Proxies must be conferred in writing and specifically for each Meeting.</p>



Proxies may be also granted by means of postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual granting the proxy and the security of the electronic communications is duly guaranteed, pursuant to the provisions of the applicable legislation and subject, if appropriate, to the provisions of Article 17 bis of these Corporate By-laws on the casting of votes by the aforesaid means, insofar as this is not incompatible with the nature of the proxy granted.

The provisions of the preceding two paragraphs shall also apply to the notification to the Company of the appointment of the proxy-holder and to the revocation of the appointment. The Company shall establish the system for electronic notification of the appointment, with the formal, necessary and proportionate requirements in order to guarantee the identity of the shareholder and of the proxy-holder(s) appointed by him.

Where instructions are issued by the represented shareholder, the proxy-holder shall cast his vote in accordance with such instructions and shall be obliged to keep the instructions for a period of one year as from the date of the relevant Shareholders Meeting.

Proxy-holders may hold the proxies of more than one shareholder with no limit on the number of shareholders they may represent. Where a proxy-holder holds several proxies, he may cast votes in different directions, in accordance with the instructions received from each shareholder. In all cases, the number of shares represented shall be calculated for the valid constitution of the Shareholders Meeting.

Prior to his appointment, a proxy-holder must provide detailed information to the shareholder on whether he has any conflict of interest, in accordance with the provisions of Article 523 of the Spanish Companies Act. If the conflict arises after his appointment and the proxy-holder

Proxies may be also granted by means of postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual granting the proxy and the security of the electronic communications is duly guaranteed, pursuant to the provisions of the applicable legislation and subject, if appropriate, to the provisions of Article 17 bis of these Corporate By-laws on the casting of votes by the aforesaid means, insofar as this is not incompatible with the nature of the proxy granted.

The provisions of the preceding two paragraphs shall also apply to the notification to the Company of the appointment of the proxy-holder and to the revocation of the appointment. The Company shall establish the system for electronic notification of the appointment, with the formal, necessary and proportionate requirements in order to guarantee the identity of the shareholder and of the proxy-holder(s) appointed by him.

Where instructions are issued by the represented shareholder, the proxy-holder shall cast his vote in accordance with such instructions and shall be obliged to keep the instructions for a period of one year as from the date of the relevant Shareholders Meeting.

Proxy-holders may hold the proxies of more than one shareholder with no limit on the number of shareholders they may represent. Where a proxy-holder holds several proxies, he may cast votes in different directions, in accordance with the instructions received from each shareholder. In all cases, the number of shares represented shall be calculated for the valid constitution of the Shareholders Meeting.

Prior to his appointment, a proxy-holder must provide detailed information to the shareholder on whether he has any conflict of interest, in accordance with the provisions of Article 523 of the Spanish Companies Act. If the conflict arises after his appointment and the proxy-holder



has not warned the represented shareholder of its potential existence, he must inform the shareholder immediately. In both cases, if no new specific voting instructions have been received for each of the items on which the proxy-holder is to vote in the name of the shareholder, the proxy-holder must refrain from casting the vote.

Where the Directors of the Company, or another acting for the account or in the interests of any of them, have made a public proxy solicitation, the Director obtaining it may not exercise the right to vote attaching to the shares represented on those items on the agenda in respect of which he has a conflict of interest unless he has received specific voting instructions from the represented shareholder for each item, as provided in this Article, in accordance with Article 526 of the Spanish Companies Act.

A financial intermediary may, in the name of its client-shareholders who have conferred a proxy on it, cast differing votes, in accordance with the different voting instructions received, if any. For such purpose, it must notify the Company of the direction in which it will cast the votes. In this connection, intermediaries upon whom proxies are conferred must communicate to the Company within the seven days prior to the date set for holding the Shareholders Meeting a list indicating the identity of each client, the number of shares with respect to which it exercises the right to vote in the client's name, and the voting instructions received, as the case may be.

Personal attendance at the Shareholders Meeting by the shareholder represented shall be deemed to revoke the proxy granted.

has not warned the represented shareholder of its potential existence, he must inform the shareholder immediately. In both cases, if no new specific voting instructions have been received for each of the items on which the proxy-holder is to vote in the name of the shareholder, the proxy-holder must refrain from casting the vote.

Where the Directors of the Company, or another acting for the account or in the interests of any of them, have made a public proxy solicitation, the Director obtaining it may not exercise the right to vote attaching to the shares represented on those items on the agenda in respect of which he has a conflict of interest unless he has received specific voting instructions from the represented shareholder for each item, as provided in this Article, in accordance with Article 526 of the Spanish Companies Act.

Any entities registered as entitled shareholders according to the accounting registry of the shares, albeit acting on behalf of other persons, may in any case fraction their vote and vote against the proposal, further to different voting instructions, if such are received. ~~A financial intermediary may, in the name of its client-shareholders who have conferred a proxy on it, cast differing votes, in accordance with the different voting instructions received, if any. For such purpose, it must notify the Company of the direction in which it will cast the votes. In this connection, intermediaries upon whom proxies are conferred must communicate to the Company within the seven days prior to the date set for holding the Shareholders Meeting a list indicating the identity of each client, the number of shares with respect to which it exercises the right to vote in the client's name, and the voting instructions received, as the case may be. These intermediary entities may grant a proxy to each indirect holder or to third parties designated by the latter, without limitation on the number of proxies granted.~~



<p>Shareholders may request such reports or explanations as they deem necessary concerning the items of interest to them, in the manner stipulated by the applicable laws, and shall receive information via the Company website as stipulated by the Law, these By-laws and the rules on corporate governance.</p> <p>From the date of publication of the call notice for the Shareholders Meeting until the seventh day prior to the date set for holding the Meeting on first call, shareholders may request in writing such information or clarifications as they deem necessary or pose in writing such questions as they deem relevant concerning the items on the agenda. During the same prior period and in the same manner, or orally during the Meeting, shareholders may request information, clarifications or pose questions concerning publicly available information furnished by the Company to the National Securities Market Commission since the last Shareholders Meeting was held and concerning the auditor's report. Directors shall not be obliged to respond to specific questions from shareholders where, prior to their formulation, the requested information is clearly and directly available to all shareholders on the Company website in a question and answer format. Directors must furnish the information in writing up to the date of holding the Shareholders Meeting.</p> <p>While the Shareholders Meeting is being</p>	<p>Personal attendance at the Shareholders Meeting by the shareholder represented shall be deemed to revoke the proxy granted.</p> <p>Shareholders may request such information reports or explanations as they deem necessary concerning the items of interest to them, in the manner stipulated by the applicable laws, and shall receive information via the Company website as stipulated by the Law, these By-laws and the rules on corporate governance.</p> <p>From the date of publication of the call notice for the Shareholders Meeting until the fifth seventh day prior to the date set for holding the Meeting on first call, shareholders may request in writing such information or clarifications as they deem necessary or pose in writing such questions as they deem relevant concerning the items on the agenda. During the same prior period and in the same manner, or orally during the Meeting, shareholders may request information, clarifications or pose questions concerning publicly available information furnished by the Company to the National Securities Market Commission since the last Shareholders Meeting was held and concerning the auditor's report.</p> <p>All valid requests for information, clarifications or questions, made in writing, and the replies provided in writing by the directors, will be uploaded on the Company's website.</p> <p>Directors shall not be obliged to respond to specific questions from shareholders where, If prior to their formulation of a specific question, the requested information is clearly, and directly and expressly available to all shareholders on the Company website in a question and answer format, Directors may merely reply by referring to the information provided in this form. Directors must furnish the information in writing up to the date of holding the Shareholders Meeting.</p> <p>While the Shareholders Meeting is being</p>
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<p>held, Company shareholders may orally request such information or clarifications as they deem appropriate concerning the items on the agenda and, if this shareholders' right cannot be satisfied at that time, the Directors must provide that information in writing within seven days after the end of the Meeting.</p> <p>Directors must provide the information requested pursuant to the foregoing two paragraphs except in cases in which, in the Chairman's opinion, the public disclosure of the information requested could harm the interests of the Company. Information may not be refused where the request is supported by shareholders who represent at least one fourth of the capital stock.</p> <p>No person may accumulate proxies in the name of the same shareholder which confer on him voting rights in the name of that shareholder that exceed the limits established in Article 5 of these By-laws.</p>	<p>held, Company shareholders may orally request such information or clarifications as they deem appropriate concerning the items on the agenda and, if this shareholders' right cannot be satisfied at that time, the Directors must provide that information in writing within seven days after the end of the Meeting.</p> <p>Directors must provide the information requested pursuant to the foregoing two paragraphs except in cases in which this information is unnecessary to protect shareholders' rights, or objective reasons exist to consider that it may be used for non-corporate purposes or that its disclosure could damage the Company or its related companies in the Chairman's opinion, the public disclosure of the information requested could harm the interests of the Company. Information may not be refused where the request is supported by shareholders who represent at least one fourth <u>twenty-five (25) per cent</u> of the capital stock.</p> <p>No person may accumulate proxies in the name of the same shareholder which confer on him voting rights in the name of that shareholder that exceed the limits established in Article 5 of these By-laws.</p>
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5) To amend Article 17 ("Presiding Panel, deliberations"), in order to adjust its content to the new wording of Article 201 LSC, clarifying the majority requirements that must be met for the General Meeting to adopt resolutions.

Consequently, it is hereby proposed to amend Article 17 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):

Original	New wording proposed
<p>Article 17.- Presiding Panel, deliberations</p> <p>The Shareholders Meeting shall be chaired by the Chairman of the Board of Directors and, in his absence, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or to seniority in the office, if no rank has been established, and, in their absence, by the</p>	<p>Article 17.- Presiding Panel, deliberations</p> <p>The Shareholders Meeting shall be chaired by the Chairman of the Board of Directors and, in his absence, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or to seniority in the office, if no rank has been established, and, in their absence, by the</p>



person designated by the Board of Directors and, in the absence of such designation, by such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders Meeting.

The Secretary or Deputy Secretary, if any, of the Board of Directors shall act as Secretary of the Shareholders Meeting. In the absence of both, such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders Meeting, shall act as Meeting Secretary.

The Chairman is responsible for directing and establishing the order of deliberations and speeches; for deciding on the form of voting on resolutions; for resolving any doubts, clarifications or complaints which are raised in relation to the agenda, the list of attendees, ownership of shares, delegations of authority or proxies, the requirements for the valid convening of, and adoption of resolutions by, the Shareholders Meeting, or regarding the By-law limit on the right to vote; and for granting the floor to any shareholders requesting it, withdrawing it or refusing it and ending debates when he considers the matter being debated to have been sufficiently discussed.

Each share confers the right to one vote. Resolutions shall be adopted by a majority of the votes, unless the Law requires a greater majority.

person designated by the Board of Directors and, in the absence of such designation, by such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders Meeting.

The Secretary or Deputy Secretary, if any, of the Board of Directors shall act as Secretary of the Shareholders Meeting. In the absence of both, such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders Meeting, shall act as Meeting Secretary.

The Chairman is responsible for directing and establishing the order of deliberations and speeches; for deciding on the form of voting on resolutions; for resolving any doubts, clarifications or complaints which are raised in relation to the agenda, the list of attendees, ownership of shares, delegations of authority or proxies, the requirements for the valid convening of, and adoption of resolutions by, the Shareholders Meeting, or regarding the By-law limit on the right to vote; and for granting the floor to any shareholders requesting it, withdrawing it or refusing it and ending debates when he considers the matter being debated to have been sufficiently discussed.

Each share confers the right to one vote. Resolutions shall be adopted by ~~a majority of the votes~~, a simple majority of the votes of the shareholders present or represented at the Meeting; a resolution will be deemed adopted whenever it obtains more votes in favour than against, of the capital stock present or represented. In order to adopt the resolutions foreseen in Article 14 of the By-laws, which require a greater quorum, if the capital stock present or represented exceeds fifty (50) per cent, it will suffice for the resolution to be adopted by an absolute majority. However, the favourable vote of two thirds of the capital stock present or represented at the Meeting will be required if, at second call, shareholders attending represent twenty-five (25) per cent or more of the voting capital subscribed, without



<p>No person, by virtue of his own right or of a proxy, may exercise voting rights which exceed the shareholding limits stipulated in Article 5 of these By-laws, with the exception of the provisions on public proxy solicitations set forth in the last paragraph of Article 15 above.</p> <p>The statutory limit on shareholding in the Company shall also apply to the maximum number of votes that may be cast, collectively or separately, by two or more shareholders, one of whom owns indirect holdings in the capital stock of the Company (as defined in Article 5).</p> <p>The limitations on voting rights stipulated by the Law and in these By-laws shall operate with respect to all matters submitted to a vote at a Shareholders Meeting, including the right to proportional representation referred to in Article 243 of the Spanish Companies Act, but shall not prevent the shares to which said right applies from being counted as voting capital stock in attendance for the purpose of calculating the necessary quorums for convening Shareholders Meetings.</p> <p>For each resolution submitted to a vote the Shareholders Meeting must determine, at minimum, the number of shares with respect to which valid votes have been cast, the proportion of the capital stock represented by such votes, the total number of valid votes, the number of votes for and against each resolution and, as the case may be, the number of abstentions.</p> <p>The resolutions approved and the result of the voting shall be published in full on the Company website within the five days following the end of the Shareholders Meeting.</p>	<p><u>reaching fifty (50) per cent. The foregoing will not apply in those cases where, unless</u> the Law requires a greater majority.</p> <p>No person, by virtue of his own right or of a proxy, may exercise voting rights which exceed the shareholding limits stipulated in Article 5 of these By-laws, with the exception of the provisions on public proxy solicitations set forth in the last paragraph of Article 15 above.</p> <p>The statutory limit on shareholding in the Company shall also apply to the maximum number of votes that may be cast, collectively or separately, by two or more shareholders, one of whom owns indirect holdings in the capital stock of the Company (as defined in Article 5).</p> <p>The limitations on voting rights stipulated by the Law and in these By-laws shall operate with respect to all matters submitted to a vote at a Shareholders Meeting, including the right to proportional representation referred to in Article 243 of the Spanish Companies Act, but shall not prevent the shares to which said right applies from being counted as voting capital stock in attendance for the purpose of calculating the necessary quorums for convening Shareholders Meetings.</p> <p>For each resolution submitted to a vote the Shareholders Meeting must determine, at minimum, the number of shares with respect to which valid votes have been cast, the proportion of the capital stock represented by such votes, the total number of valid votes, the number of votes for and against each resolution and, as the case may be, the number of abstentions.</p> <p>The resolutions approved and the result of the voting shall be published in full on the Company website within the five days following the end of the Shareholders Meeting.</p>
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6) To amend Article 20 (“The Board of Directors”), in order to adjust its content to the changes made by Act 31/2014, to particularly include the following matters:

a) The new regime applicable to the appointment and re-election of directors, which basically affects the right of co-optation and proposal of appointments, entrusted to the Appointments and Remuneration Committee for independent directors, as well as the need for an explanatory report from the Board of Directors on all candidates (Art. 529 decides LSC).

b) New rules on directors’ remuneration, distinguishing between payments made to them as such (non-executive directors) and all other remuneration payable to directors for the performance of executive tasks, and the need for this remuneration to conform to the directors’ remuneration policy, to be approved by the General Meeting, and other matters related to directors’ remuneration (Arts. 217 to 219, 249, and Arts. 529 sexdecies to 529 novodecies LSC).

c) Other minor formal and stylistic changes.

Consequently, it is hereby proposed to amend Article 20 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):

Original	New wording proposed
<p>Article 20.- Board of Directors</p> <p>The Board of Directors shall be formed by at least nine (9) and not more than thirteen (13) members, who shall be designated by the Shareholders Meeting. The Shareholders Meeting shall set the final number of Directors within the aforesaid maximum and minimum limits.</p> <p>When selecting the Directors, regard shall be had to the Company’s capital composition and structure. It shall be sought to have External Directors (Independent and Proprietary) represent a broad majority. In any case, the Board shall be composed in such a way as to ensure that the capital stock is most suitably represented.</p> <p>The Directors appointed shall hold office for four years and may be reappointed indefinitely, notwithstanding the power of the Shareholders Meeting to remove them at any time.</p> <p>Directors need not be Company share-</p>	<p>Article 20.- Board of Directors</p> <p>The Board of Directors shall be formed by at least nine (9) and not more than thirteen (13) members. Directors will be who shall be designated by the Shareholders Meeting <u>or, if a vacancy arises in advance, the Board will designate it by co-optation.</u> The Shareholders Meeting shall set the final number of Directors within the aforesaid maximum and minimum limits.</p> <p>When selecting the Directors, regard shall be had to the Company’s capital composition and structure. It shall be sought to have <u>non-executive External Directors (independent, andproprietary and other external directors)</u> represent a broad majority. In any case, the Board shall be composed in such a way as to ensure that the capital stock is most suitably represented.</p> <p>The Directors appointed shall hold office for four years and may be reappointed indefinitely, notwithstanding the power of the Shareholders Meeting to remove them at any time.</p> <p>Directors need not be Company share-</p>



holders or members, except in the case stipulated in Article 244 of the Spanish Companies Act. Both individuals and legal entities may be appointed as Directors.

Directors shall be elected in observance of Article 243 of the Spanish Companies Act and supplemental provisions.

Persons who, pursuant to the Law, are incompatible cannot be Directors.

The compensation of the Board of Directors shall consist of a fixed monthly fee for the attendance of Board meetings and a share in the Company's income. Overall annual compensation for the entire Board and for the foregoing items shall be equal to 1.5% of the Company's net income, approved by the Shareholders Meeting. The foregoing compensation is, in all cases, a maximum figure and the Board itself shall be in charge of allocating its amount among the aforesaid items and among the Directors in such manner, at such time and in such proportion as it freely determines. Pursuant to Article 218.2 of the Spanish Companies Act, compensation in the form of a share in income may only be received

holders or members., ~~except in the case stipulated in Article 244 of the Spanish Companies Act.~~ Both individuals and legal entities may be appointed as Directors.

Directors shall be elected in observance of Articles 243, 244 and 529 decies of the Spanish Companies Act and supplemental provisions.

The Appointments and Remuneration Committee will propose the appointment or re-election of independent Directors. The Board will be in charge of proposing the appointment of all other Directors, subject to a prior opinion from the Appointments and Remuneration Committee. In any case, a proposed appointment or re-election of any Director will include an explanatory report from the Board, appraising the competence, experience and merits of the candidate, which will be attached to the minutes of the General Meeting or Board Meeting.

The provisions of this article will also apply to any individuals designated as attorneys of a legal entity Director. Any proposed attorney for a legal entity must be examined by the Appointments and Remuneration Committee.

Persons who, pursuant to the Law, are incompatible cannot be Directors.

The compensation of members of the Board of Directors as such shall consist of a fixed monthly fee for the attendance of Board-meetings of the management bodies and a share in the Company's income. The maximum oOverall annual compensation for the entire Board and for all the foregoing items shall be ap-proved by the General Meeting and may in no case exceed equal to 1.5% of the Company's net income, approved by the Shareholders Meeting; this figure will remain in force insofar as a change is not approved. The foregoing compensation is, in all cases, a maximum figure and the Board itself shall be in charge of allocating its amount among the aforesaid items and among the Directors in such



by Directors after the provisions to the legal and by-law reserves have been covered and the shareholders have been recognized a dividend of not less than 4%.

Compensation consisting of the award of shares or stock options or compensation linked to share value shall require a resolution of the Shareholders Meeting, which must state the number of shares to be awarded, the price for exercising the options, the share value taken as a reference and the term of this compensation system.

The compensation stipulated in this Article shall be compatible with and independent of salaries, wages, severance pay, pensions or compensation of any kind established generally or individually for members of the Board of Directors who hold an ordinary or special senior management employment relationship or an independent professional relationship with the Company, which relationships shall be compatible with the status of member of the Board of Directors.

The members of the Board of Directors shall discharge their office and their functions with the diligence of an organized businessman and loyal representative, and must at all times be faithful and loyal to the Company's interests and comply with the duty of secrecy pursuant to the Law and to these By-laws.

manner, at such time and in such proportion as the Board it freely determines, based on the tasks and responsibilities assigned to each Director, any membership of Board committees and other objective circumstances deemed relevant.

Pursuant to Article 218.2 of the Spanish Companies Act, maximum compensation in the form of a share in income will also be 1.5% of the net income and may only be received by Directors after the provisions to the legal and by-law reserves have been covered and the shareholders have been recognized a dividend of not less than 4% of the face value of the shares.

Compensation consisting of the award of shares or stock options or compensation linked to share value shall require a resolution of the Shareholders Meeting. This resolution will include the maximum number of shares that may be assigned during each financial year to this remuneration system, which must state the number of shares to be awarded, the price for exercising the options and their calculation system, the share value taken as a reference and the term of this compensation system.

The compensation stipulated in this Article shall be compatible with and independent of salaries, wages, severance pay, pensions or compensation of any kind established generally or individually for members of the Board of Directors who perform executive tasks. All items for which these Directors may be remunerated, for performance of executive tasks, to include any future indemnification for early discharge from said tasks and amounts payable by the Company as insurance premiums or contributions to a savings plan, will be recorded in an agreement with the Company, to be previously approved by the Board of Directors with the favourable vote of two thirds of its members; the Director in question should abstain from the meeting's deliberations and voting.~~hold an ordinary or special senior management employment relationship or an independent profes-~~



	<p>sional relationship with the Company, which relationships shall be compatible with the status of member of the Board of Directors.</p> <p><u>All remuneration paid to Directors as such and any remuneration received for the performance of executive tasks will conform to the Directors' remuneration policy, to be approved by the General Meeting at least every three years, as a separate point of the agenda, in the terms foreseen in the Spanish Companies Act.</u></p> <p><u>Directors' remuneration will in any case be reasonably proportional to the Company's relevance, its economic situation at all times and the market standards of comparable companies. The remuneration system established will aim at encouraging the Company's profitability and long-term sustainability, including the necessary caution to avoid undertaking excessive risks and rewarding unfavourable results.</u></p> <p>The members of the Board of Directors shall discharge their office and their functions with the diligence of an organized businessman and <u>with the loyalty of a loyal</u> representative, acting in good faith and in the and must at all times be faithful and loyal to the Company's <u>best</u> interests, and comply with the duty of secrecy pursuant to the Law and to these By-laws.</p>
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- 7) To amend Article 21 ("Operation of the Board of Directors"), in order to adjust its content to the changes made by Act 31/2014, to particularly include:
- a) The need for a prior opinion from the Appointments and Remuneration Committee before appointing the Board Chairman and for the appointment and removal of the Secretary and Vice-Secretary of the Board of Directors (Arts. 529 sexies and 529 octies LSC).
 - b) The need to appoint a Lead Independent Director if the Board Chairman also enjoys status as an executive director (Art. 529 septies).
 - c) The majorities required to approve the appointment of the Chairman of the Board of Directors, if he is also an executive director (Art. 529 sexies LSC).



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- d) A provision establishing that a non-executive director may only confer a proxy to another non-executive director (Art. 529 quater LSC).
 - e) Special provisions for the appointment of directors by co-optation in listed companies (Article 529 decies).

Consequently, it is hereby proposed to amend Article 21 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):



Original	New wording proposed
<p>Article 21. Operation of the Board of Directors</p> <p>The Board shall designate a Chairman from among its members and, if it deems appropriate, one or more Deputy Chairmen. It may also appoint, following a proposal by the Corporate Responsibility and Governance Committee, one of the independent directors to be the Lead Independent Director. The Board shall also freely appoint the person who is to hold office as Secretary of the Board of Directors and, if it deems appropriate, shall also appoint a Deputy Secretary. Neither the Secretary nor the Deputy Secretary need be a Director.</p> <p>In the absence of the Chairman of the Board, and should there be one, of the Lead Independent Director, Board meetings shall be chaired, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or, if no rank has been established, by the Director who has held office for the longest time. In the Secretary's absence, his functions shall be discharged by the Deputy Secretary, if any, and in his absence, by the youngest Director from among those attending the meeting.</p> <p>The Board shall meet where required by the Company's interests and at least</p>	<p>Article 21. Operation of the Board of Directors</p> <p>The Board, <u>subject to a prior opinion from the Appointments and Remuneration Committee</u>, shall designate a Chairman from among its members and, if it deems appropriate, one or more Deputy Chairmen. <u>The post of Chairman may be granted to an executive director, in which case it will be necessary to obtain a favourable majority of two thirds of the Board members for his appointment.</u></p> <p><u>If the Chairman is also an executive director, the Board of Directors, with the abstention of all executive directors, will necessarily</u> It may also appoint, following a proposal by the Corporate Responsibility and Governance <u>Appointments and Remuneration</u> Committee, one of the independent directors to be the Lead Independent Director.</p> <p>The Board, <u>subject to a prior opinion from the Appointments and Remuneration Committee</u>, shall also freely appoint the person who is to hold office as Secretary of the Board of Directors and, if it deems appropriate, shall also appoint a Deputy Secretary. <u>The same process will be followed to remove the Secretary and Deputy Secretary, if any.</u> Neither the Secretary nor the Deputy Secretary need be a Director.</p> <p>In the absence of the Chairman of the Board, and should there be one, of the Lead Independent Director, Board meetings shall be chaired, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or, if no rank has been established, by the Director who has held office for the longest time. In the Secretary's absence, his functions shall be discharged by the Deputy Secretary, if any, and in his absence, by the youngest Director from among those attending the meeting.</p> <p>The Board shall meet where required by the Company's interests and at least</p>



once per quarter and, in any case, within not more than three months from the end of the financial year, with a view to drawing up the financial statements, the management report and the proposal for the distribution of income and allocation of loss.

Each Director may have another Director represent him and vote on his behalf at meetings of the Board of Directors, by virtue of delegation in writing especially for each Board meeting.

Board meetings shall be called by the Chairman or by whoever is acting as Chairman and shall meet on the days which the Chairman decides and whenever deemed appropriate by the Chairman or requested by the Lead Independent Director or three (3) Directors, stating in the request the matters to be discussed at the meeting. In addition, Directors constituting at least one-third of the members of the Board, and in the above case, the three (3) Directors who have made the request or the Lead Independent Director, may call a Board meeting, setting the agenda, to be held in the municipality in which the registered office is located, if, after making a request to the Chairman, the Chairman fails to call the meeting within one month without just cause. The call shall be issued in writing, addressed personally to each Director and sent by any means capable of leaving record of the contents of the notice and of its receipt, sufficiently in advance of the date set for the Board meeting.

A Board meeting may be held without a call where all Directors are present and all agree to the holding of the meeting.

Board meetings shall be validly convened where one half plus one of the Board members are present or represented at the meeting.

once per quarter and, in any case, within not more than three months from the end of the financial year, with a view to drawing up the financial statements, the management report and the proposal for the distribution of income and allocation of loss.

All Directors will personally attend any meetings held. Notwithstanding the foregoing, each Director may have another Director represent him and vote on his behalf at meetings of the Board of Directors, by virtue of delegation in writing especially for each Board meeting. Non-executive Directors may only confer a proxy to another non-executive director.

Board meetings shall be called by the Chairman or by whoever is acting as Chairman and shall meet on the days which the Chairman decides and whenever deemed appropriate by the Chairman or requested by the Lead Independent Director or three (3) Directors, stating in the request the matters to be discussed at the meeting. In addition, Directors constituting at least one-third of the members of the Board, and in the above case, the three (3) Directors who have made the request or the Lead Independent Director, may call a Board meeting, setting the agenda, to be held in the municipality in which the registered office is located, if, after making a request to the Chairman, the Chairman fails to call the meeting within one month without just cause. The call shall be issued in writing, addressed personally to each Director and sent by any means capable of leaving record of the contents of the notice and of its receipt, sufficiently in advance of the date set for the Board meeting.

A Board meeting may be held without a call where all Directors are present and all agree to the holding of the meeting.

Board meetings shall be validly convened where one half plus one of the Board members are present or represented at the meeting.



<p>Voting in writing without a meeting being held shall only be admitted when no Director objects to this procedure.</p> <p>When the Chairman or the person chairing the meeting in the absence of the Chairman deems a matter to have been sufficiently debated, he shall submit it to a vote. Each Director present or duly represented shall have one vote. Resolutions shall be adopted by an absolute majority of the directors in attendance at the meeting, in person or by proxy, except in cases where the Law requires resolutions to be adopted by a greater majority. In the case of a tie, the Chairman shall have the casting vote.</p> <p>Minutes shall be approved by the Board of Directors itself at the end of the meeting or at the beginning of the next meeting, and shall be signed by the Secretary of the Board, or the meeting Secretary, and countersigned by the person acting as Chairman. Board minutes shall be transcribed in a minutes book, which shall be signed by the Secretary of the Board and countersigned by the Chairman.</p> <p>If vacancies arise during the term for which Directors were appointed, the Board may designate from among the shareholders such persons as are to cover those vacancies until the next Shareholders Meeting is held.</p>	<p>Voting in writing without a meeting being held shall only be admitted when no Director objects to this procedure.</p> <p>When the Chairman or the person chairing the meeting in the absence of the Chairman deems a matter to have been sufficiently debated, he shall submit it to a vote. Each Director present or duly represented shall have one vote. Resolutions shall be adopted by an absolute majority of the directors in attendance at the meeting, in person or by proxy, except in cases where the Law requires resolutions to be adopted by a greater majority. In the case of a tie, the Chairman shall have the casting vote.</p> <p>Minutes shall be approved by the Board of Directors itself at the end of the meeting or at the beginning of the next meeting, and shall be signed by the Secretary of the Board, or the meeting Secretary, and countersigned by the person acting as Chairman. Board minutes shall be transcribed in a minutes book, which shall be signed by the Secretary of the Board and countersigned by the Chairman.</p> <p>If vacancies arise during the term for which Directors were appointed, the Board may designate from among the shareholders such persons as are to cover those vacancies until the next Shareholders Meeting is held. <u>If a vacancy after a General Meeting has been called but not yet held, the Board of Directors may designate a director until the next General Meeting is held.</u></p>
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8) To amend Article 22 ("Board Committees and delegation of powers"), in order to adjust its content to the new wording of Article 249 LSC, requiring that an agreement be signed between the Company and any director entrusted with executive duties, and Article 529 terdecies LSC, requiring that listed companies establish an auditing committee and an appointments and remuneration committee. Specifically, in order to adjust to the new legal regime, the Governance and Corporate Responsibility Committee will now be named the Appointments and Remuneration Committee.

Consequently, it is hereby proposed to amend Article 22 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):



Original	New wording proposed
<p>Article 22.- Board Committees and delegation of powers.</p> <p>The Board shall approve its internal Regulations with the basic rules on its organization and operation, the rules of conduct of its members and its system of supervision and control, with a view to attaining the optimum professionalism and efficiency in its work, promoting the active participation of all its members, subordinating its own interests to those of the Company and of its shareholders, in compliance with the Law, the By-laws and the principles of good corporate governance.</p> <p>The Board shall act in plenum or in committees which may be set up on a permanent basis or for a specific matter, with delegated and executive powers, or powers to research, advise or propose. Pursuant to the Law and to these By-laws, there must be an Auditing Committee and a Corporate Responsibility and Governance Committee, notwithstanding any other name they may be ascribed by the Board of Directors from time to time, with the functions indicated in the following Articles. Additionally the Board shall set up, having regard to the recommendations on corporate governance from time to time in force, such other committees as it deems suitable to the Company's optimum organization and operation.</p> <p>The Committees shall keep the Board of Directors informed of their work at all times.</p> <p>Notwithstanding such powers of attorney as may be conferred on any person, the Board of Directors may designate an Executive Committee, which shall be composed of such Directors as may be resolved by the Board and on which the Secretary of the Board shall act as Sec-</p>	<p>Article 22.- Board Committees and delegation of powers.</p> <p>The Board shall approve its internal Regulations with the basic rules on its organization and operation, the rules of conduct of its members and its system of supervision and control, with a view to attaining the optimum professionalism and efficiency in its work, promoting the active participation of all its members, subordinating its own interests to those of the Company and of its shareholders, in compliance with the Law, the By-laws and the principles of good corporate governance.</p> <p>The Board shall act in plenum or in committees which may be set up on a permanent basis or for a specific matter, with delegated and executive powers, or powers to research, advise or propose. Pursuant to the Law and to these By-laws, there must be an Auditing Committee and an Appointments and Remuneration Corporate Responsibility and Governance Committee, notwithstanding any other name they may be ascribed by the Board of Directors from time to time, with the functions indicated in the following Articles. Additionally the Board shall set up, having regard to the recommendations on corporate governance from time to time in force, such other committees as it deems suitable to the Company's optimum organization and operation.</p> <p>The Committees shall keep the Board of Directors informed of their work at all times. Furthermore, the minutes of all Committee meetings will be made available to all members of the Board of Directors.</p> <p>Notwithstanding such powers of attorney as may be conferred on any person, the Board of Directors may designate an Executive Committee, which shall be composed of such Directors as may be resolved by the Board and on which the Secretary of the Board shall act as Sec-</p>



<p>retary.</p> <p>Likewise, the Board of Directors may appoint one or more Managing Directors, who may be directors other than the Chairman of the Board of Directors, which, if applicable, will be members of the Executive Committee, and who shall be conferred such powers as may be considered appropriate. In the event that powers are delegated on a permanent basis in favour of various Directors, those powers which are to be exercised jointly and severally, and those which are to be exercised jointly, should be specified. Likewise, if all such powers are to be exercised in one form or the other, this should also be specified.</p> <p>The setting up of the Executive Committee, the designation of the Directors who are to sit on it, the designation of Managing Director(s) and the permanent delegation of powers, if any, shall require the affirmative vote of two thirds of the members of the Company's Board of Directors to be valid. Notwithstanding delegation, the Board of Directors shall retain the powers delegated that may correspond to it.</p>	<p>retary.</p> <p>Likewise, the Board of Directors may appoint <u>from amongst its members</u> one or more Managing Directors, who may be directors other than the Chairman of the Board of Directors, which, if applicable, will be members of the Executive Committee, and who shall be conferred such powers as may be considered appropriate <u>and, in any case, establishing the content, limits and types of delegation.</u> In the event that powers are delegated on a permanent basis in favour of various Directors, those powers which are to be exercised jointly and severally, and those which are to be exercised jointly, should be specified. Likewise, if all such powers are to be exercised in one form or the other, this should also be specified.</p> <p><u>If a member of the Board of Directors is appointed Managing Director or is entrusted with executive duties by virtue of another title, an agreement must be signed by the latter and the Company, pursuant to Article 20 of these By-laws and the Spanish Companies Act.</u></p> <p>The setting up of the Executive Committee, the designation of the Directors who are to sit on it, the designation of Managing Director(s) and the permanent delegation of powers, if any, shall require the affirmative vote of two thirds of the members of the Company's Board of Directors to be valid, <u>and will not be effective until it is recorded at the Mercantile Registry.</u> Notwithstanding delegation, the Board of Directors shall retain the powers delegated that may correspond to it.</p>
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9) To amend Article 23 ("Auditing Committee"), in order to adjust its content to the provisions established in new Article 529 quaterdecies LSC, in relation to the Committee's composition, operating rules and duties.

Consequently, it is hereby proposed to amend Article 23 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):



Original	New wording proposed
<p>Article 23.- Auditing Committee</p> <p>1. The Company shall have an Auditing Committee composed of a number of members to be determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5), from among the External Directors and with a majority of Independent Directors, all of whom are to be appointed taking into account their knowledge of and experience in accounting and/or audit from among its members. The Chairman shall be an Independent Director designated from among its members. The Secretary of the Board of Directors shall act as Secretary.</p> <p>The Committee shall support the Board of Directors in supervising economic and financial processes and the independence of the External Auditor, and in the internal control of the Company.</p> <p>2. The Auditing Committee shall have at least the following powers:</p> <ul style="list-style-type: none">(i) To report at Shareholders Meetings on matters falling within its jurisdiction which are raised in the course of such Meetings.(ii) To supervise the efficacy of the Company's internal control, any internal audit, and risk management systems, as well as discuss with the external auditors any significant weaknesses of the internal control system detected in the course of the audit.(iii) To supervise the process of preparing and filing regulated financial information.(iv) To propose to the Board of Directors the appointment of external auditors for submission to the Shareholders Meeting.(v) To duly engage with the external	<p>Article 23.- Auditing Committee</p> <p>1. The Company shall have an Auditing Committee composed of a number of members to be determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5), from among <u>non-executive the External</u> Directors and with a majority of Independent Directors, all of whom are to be appointed taking into account their knowledge of and experience in accounting and/or audit from among its members. The Chairman shall be an Independent Director designated from among its members. The Secretary of the Board of Directors shall act as Secretary <u>of the Auditing Committee</u>.</p> <p>The Committee shall support the Board of Directors in supervising economic and financial processes and the independence of the External Auditor, and in the internal control of the Company.</p> <p>2. The Auditing Committee shall have at least the following powers:</p> <ul style="list-style-type: none">(i) To report at Shareholders Meetings on matters falling within its jurisdiction which are raised <u>in relation to the matters entrusted to the Committee. in the course of such Meetings.</u>(ii) To supervise the efficacy of the Company's internal control, any internal audit, and risk management systems, <u>including tax risks</u>, as well as discuss with the external auditors any significant weaknesses of the internal control system detected in the course of the audit.(iii) To supervise the process of preparing and filing <u>regulated the necessary</u> financial information.(iv) To <u>propose present</u> to the Board of Directors <u>any proposals for se-</u>



<p>auditors in order to receive information on any issues that may jeopardize their independence, for their examination by the Committee, and any other issues relating to the audit process, as well as other communications provided for in audit legislation and audit standards. In any case, they must receive each year from the external auditors written confirmation of their independence from the Company or from entities related to the Company directly or indirectly, as well as information on additional services of any kind provided to such entities by those auditors or by persons or entities related to those auditors in accordance with the provisions of the legislation in force.</p> <p>(vi) Before the auditors' report is issued, to issue a report each year expressing an opinion on the independence of the external auditors or audit firms. This report must, in any case, make a pronouncement on the provision of the additional services referred to in the preceding letter.</p> <p>(vii) Any other power attributed to the Board, either in general in its Regulations or entrusted to it in particular.</p>	<p><u>lection, the—appointment, re-election and replacement</u> of external auditors, <u>as well as the terms of their contract, and to regularly collect from the auditors information on the auditing plan and its performance, as well as to preserve their impartiality during the exercise of their tasks.</u></p> <p>(v) To duly engage with the external auditors in order to receive information on any issues that may jeopardize their independence, for their examination by the Committee, and any other issues relating to the audit process, as well as other communications provided for in audit legislation and audit standards. In any case, they must receive each year from the external auditors a statement of <u>written confirmation of their independence from in relation to the Company or from entities related to the Company directly or indirectly, as well as information on additional services of any kind provided to such entities, and any professional fees paid by these entities,</u> by those <u>external</u> auditors or by persons or entities related to those auditors in accordance with the provisions of <u>the auditing</u> legislation in force.</p> <p>(vi) Before the auditors' report is issued, to issue a report each year expressing an opinion on the independence of the external auditors or audit firms. This report must, in any case, <u>make contain an appraisal of pronouncement on</u> the provision of the additional services referred to in the preceding letter, <u>considered both individually and overall, other than legal auditing services and in relation to the independence requirement or auditing regulations.</u></p> <p>(vii) <u>To previously inform the Board of Directors about any matters foreseen in the Law, By-laws and</u></p>
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<p>3. Any member of the management team or Company personnel who is required for such purpose shall be obliged to attend Committee meetings and must provide assistance and allow access to the information available to him. In order to discharge its functions, the Committee shall have access to the means necessary for its functioning.</p> <p>4. The Board of Directors shall expand on the powers and the rules of operation of the Auditing Committee either in specific regulations or in special provisions of the Board Regulations.</p>	<p><u>Board Regulations, to particularly include:</u></p> <p><u>1. Any financial information that the Company needs to periodically publish.</u></p> <p><u>2. The creation or acquisition of participations in special purpose vehicles or entities domiciled in countries or territories that are considered tax havens.</u></p> <p><u>3. Any operations with related parties.</u></p> <p>(viii) Any other power attributed to the Board, either in general in its Regulations or entrusted to it in particular.</p> <p><u>The provisions established in iv), v) and v) above will apply without prejudice to applicable auditing regulations.</u></p> <p>3. Any member of the management team or Company personnel who is required for such purpose shall be obliged to attend Committee meetings and must provide assistance and allow access to the information available to him. In order to discharge its functions, the Committee shall have access to the means necessary for its functioning.</p> <p>4. The Board of Directors shall expand on the powers and the rules of operation of the Auditing Committee either in specific regulations or in special provisions of the Board Regulations, <u>and will strive to encourage the Committee's independence in the exercise of its tasks.</u></p>
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- 10) To amend Article 24 (“Governance and Corporate Responsibility Committee”), in order to adjust its content to new Article 529 quincecies LSC, to particularly include:
- a) Changing the Committee’s name (and, consequently, the heading of the article) to “Appointments and Remuneration Committee”.
 - b) To adjust the minimum powers and duties of the Appointments and Remuneration Committee.



Consequently, it is hereby proposed to amend Article 24 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):

Original	New wording proposed
<p>Article 24. Corporate Responsibility and Governance Committee</p> <p>1. The Company shall have a Corporate Responsibility and Governance Committee, which shall be formed by a number of Directors to be determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5) from amongst the External Directors, and with the majority of its members being Independent Directors.</p> <p>The Committee Chairman shall be an Independent Director elected by its members and the Secretary shall be the Secretary of the Board of Directors.</p> <p>2. The Corporate Responsibility and Governance Committee shall have the following basic responsibilities, plus those assigned to it at any time by the Board of Directors:</p> <ul style="list-style-type: none">a) to report on—and, in the case of Independent Directors, make—in advance, all proposals submitted by the Board of Directors to the Shareholders Meeting for the appointment or removal of Directors; likewise to report on and propose – in the case of independent directors – the appointment of directors by co-optation approved by the Board, and to propose the appointment of the Lead Independent Director to the Board.b) to propose to the Board of Directors the compensation policy for Directors and senior executives and to ensure its observance.c) to assume such reporting, super-	<p>Article 24. <u>Corporate Responsibility and Governance Appointments and Remuneration</u> Committee</p> <p>1. The Company shall have an <u>Corporate Responsibility and Governance Appointments and Remuneration</u> Committee, which shall be formed by a number of Directors to be determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5) from amongst the <u>non-executive External</u> Directors, and with the majority of its members being Independent Directors.</p> <p>The Committee Chairman shall be an Independent Director elected by its members and the Secretary shall be the Secretary of the Board of Directors.</p> <p><u>2. Without prejudice to any other tasks entrusted by Law, these By-laws or, in line with the same, the Board of Directors Regulations, the Appointments and Remuneration Committee will at least hold the following powers:</u></p> <ul style="list-style-type: none">a) <u>To evaluate the competences, knowledge and experience required for the Board of Directors. To this effect, it will define the duties and skills expected of any candidates for each vacancy and will evaluate the necessary time and dedication to enable them to effectively execute their task.</u>b) <u>To establish a representation goal for the least represented gender on the Board of Directors and provide guidelines on how to obtain this goal.</u>c) <u>To present the Board of Directors for any proposed appointments of independent Directors, for their designation by co-optation or to be decided upon by the General</u>



<p>vising and proposing functions in the area of corporate governance as may be determined by the Board of Directors, as long as no ad hoc Committee has been set up for those functions.</p>	<p><u>Meeting, as well as any proposals to re-elect or remove these Directors by the General Meeting.</u></p> <p>d) <u>To forward any proposed appointments of the other Directors, for their designation by co-optation or to be decided upon by the General Shareholders Meeting, as well as any proposals to re-elect or remove these Directors by the General Shareholders Meeting.</u></p> <p>e) <u>To forward any proposals to appoint and remove senior executives and the basic terms of their contracts.</u></p> <p>f) <u>To examine and arrange the succession process of the Chairman of the Board of Directors and CEO of the Company and, if necessary, to make proposals to the Board of Directors in order for this succession to take place in an orderly and planned manner.</u></p> <p>g) <u>To propose to the Board of Directors the remuneration policy for Directors and general managers, or those performing senior management duties and directly reporting to the Board, Executive Committees or Managing Directors, as well as their individual remuneration and other contractual conditions of executive Directors, ensuring that these are observed.</u></p> <p>h) <u>To propose to the Board the appointment of the Lead Independent Director.</u></p> <p>i) to assume such reporting, supervising and proposing functions in the area of corporate governance <u>and corporate responsibility</u>, as may be determined by the Board of Directors, as long as no ad hoc Committee has been set up for those functions.</p>
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<p>3. The Board of Directors shall expand on the powers and rules of operation of the Corporate Responsibility and Governance Committee either in specific regulations or in special provisions of the Board Regulations.</p>	<p><u>3. The Board of Directors will establish the number of members of the Appointments and Remuneration Committee and will develop its competences and operating rules, either in specific Regulations or in special provisions of the Board Regulations, striving to encourage the Committee's independence when exercising its duties.</u></p> <p>2. The Corporate Responsibility and Governance Committee shall have the following basic responsibilities, plus those assigned to it at any time by the Board of Directors:</p> <ul style="list-style-type: none">j) to report on and, in the case of Independent Directors, make in advance, all proposals submitted by the Board of Directors to the Shareholders Meeting for the appointment or removal of Directors; likewise to report on and propose in the case of independent directors the appointment of directors by co-optation approved by the Board, and to propose the appointment of the Lead Independent Director to the Board.k) to propose to the Board of Directors the compensation policy for Directors and senior executives and to ensure its observance.l) to assume such reporting, supervising and proposing functions in the area of corporate governance as may be determined by the Board of Directors, as long as no ad hoc Committee has been set up for those functions. <p>3. The Board of Directors shall expand on the powers and rules of operation of the Corporate Responsibility and Governance Committee either in specific regulations or in special provisions of the Board Regulations.</p>
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11) To amend Article 25 (“Chairman of the Company”), in order to adjust its content to the provisions of Article 529 sexies of Act 31/2014, describing in greater detail the main powers of the Chairman of the Board of Directors.

Consequently, it is hereby proposed to amend Article 25 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):

Original	New wording proposed
<p>Article 25. - Chairman of the Company.</p> <p>The Chairman of the Board of Directors shall be deemed to be the Chairman of the Company, and shall be in charge of ensuring compliance with the resolutions of the Board of Directors, which he shall represent on a permanent basis.</p> <p>In addition to the Board of Directors and, where appropriate, the Managing Director(s), the power to represent the Company, both in and out of court, may vest with the Chairman of the Board.</p> <p>The existence of the Chairman of the Board shall be deemed to be without prejudice to the power of the Board of Directors to appoint one or more Managing Directors, as well as to confer on them such permanent powers as may be considered appropriate, pursuant to the provisions of article 22 of these By-laws.</p>	<p>Article 25. - Chairman of the Company.</p> <p>The Chairman of the Board of Directors shall be deemed to be the Chairman of the Company, and shall be in charge of ensuring compliance with the resolutions of the Board of Directors, which he shall represent on a permanent basis.</p> <p>In addition to the Board of Directors and, where appropriate, the Managing Director(s), the power to represent the Company, both in and out of court, may vest with the Chairman of the Board.</p> <p>The existence of the Chairman of the Board shall be deemed to be without prejudice to the power of the Board of Directors to appoint one or more Managing Directors, as well as to confer on them such permanent powers as may be considered appropriate, pursuant to the provisions of article 22 of these By-laws.</p> <p><u>The Chairman of the Board will be the senior person in charge of the effective running of the Board of Directors. In addition to the powers granted by Law and these By-laws or the Board of Directors Regulations, he will hold the following:</u></p> <p><u>a) To call and chair meetings of the Board of Directors, determining the agenda of the meetings and directing all discussions and deliberations.</u></p> <p><u>b) To chair the General Shareholders Meeting.</u></p> <p><u>c) To ensure that all Directors are previously sufficiently informed in order to</u></p>



	<p>discuss the points of the agenda.</p> <p>d) To stimulate discussion and the active participation of Directors during all meetings, ensuring that they are able to freely adopt positions.</p>
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12) To amend Article 25 bis (“Lead Independent Director”), in order to adjust its content to the regulations governing this figure in new Article 529 septies LSC.

Consequently, it is hereby proposed to amend Article 25.bis of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):

Original	New wording proposed
<p>Article 25 bis.- Lead Independent Director</p> <p>1. In the event the Board appoints one of the Independent Directors to the office of Lead Independent Director, the essential duty of this position, which must be taken into account in the performance of the other duties envisaged in the Board of Directors Regulations, shall be to organize the possible common positions of the independent directors and serve as a channel for expressing or giving voice to these common positions before the Chairman of the Board of Directors, the Board itself, and the Board Committees.</p> <p>2. The Lead Independent Director shall hold office for three (3) years, following which he/she may be re-elected. The Lead Independent Director shall cease to hold office when he/she ceases to be a Director, or when he/she ceases to be independent whilst remaining a director, or when the Board of Directors should so decide, following a proposal by the Corporate Responsibility and Governance Committee.</p>	<p>Article 25 bis.- Lead Independent Director</p> <p>1. In the event the Board appoints one of the Independent Directors to the office of Lead Independent Director, the essential duty of this position, which must be taken into account in the performance of the other duties envisaged in the Law, these By-laws and the Board of Directors Regulations, shall be to organize the possible common positions of the non executive directors and, specially, of the independent directors, and serve as a channel for expressing or giving voice to these common positions before the Chairman of the Board of Directors, the Board itself, and the Board Committees.</p> <p>2. The Lead Independent Director shall hold office for three (3) years, following which he/she may be re-elected. The Lead Independent Director shall cease to hold office when he/she ceases to be a Director, or when he/she ceases to be independent whilst remaining a director, or when the Board of Directors should so decide, following a proposal by the Appointments and Remuneration Corporate Responsibility and Governance Committee.</p>



13) To amend Article 26 (“Secretary of the Board”), in order to adjust its content to the provisions of new Article 529 octies LSC, in relation to the duties entrusted to the Secretary of the Board of Directors.

Consequently, it is hereby proposed to amend Article 26 of the Company By-laws, which will hereinafter read as follows (highlighting the changes made with respect to the previous version):



Original	New wording proposed
<p data-bbox="300 367 778 398">Article 26.- Secretary of the Board</p> <p data-bbox="300 434 850 499">The following functions shall be attributed to the Secretary of the Board of Directors:</p> <ul data-bbox="300 533 850 1776" style="list-style-type: none">a) to draw up the minutes of Shareholders Meetings and Board meetings and, if appropriate, to sign them with the countersignature of the person acting as meeting Chairman;b) to issue the relevant certificates, with the countersignature of the Chairman or, as the case may be, the Deputy Chairman;c) to fulfil the Board resolutions and to prepare all reports, documents and notices as may be entrusted to him by the Board, the Managing Director or the Chairman;d) to ensure that the actions of the Board of Directors comply with the letter and spirit of the laws and their regulations, and with the provisions issued by the regulatory bodies;e) to ensure compliance by the Board of Directors and by its Committees with the Corporate By-laws, the Regulations of the Shareholders Meeting and of the Board of Directors and with the Company's other rules on corporate governance;f) to ensure that the Company's rules of corporate governance and the actions of the Board of Directors are in line with the recommendations of good corporate governance in force at any given time. <p data-bbox="300 1809 850 2069">The Board of Directors may appoint a Deputy Secretary, who need not be a Director, to assist the Secretary of the Board of Directors or to replace him, should he be absent, in the secretarial function. Should both be absent, the functions of Secretary shall be discharged by the youngest Director.</p>	<p data-bbox="874 367 1353 398">Article 26.- Secretary of the Board</p> <p data-bbox="874 434 1417 600">The following functions shall be attributed to the Secretary of the Board of Directors, <u>in addition to those entrusted by Law and these By-laws or the Board Regulations:</u></p> <ul data-bbox="874 633 1417 2011" style="list-style-type: none">a) to draw up the minutes of Shareholders Meetings and Board meetings, <u>making a record of the progress of the meeting</u> and, if appropriate, to sign them with the countersignature of the person acting as meeting Chairman, <u>keeping the documentation of the Board of Directors;</u>b) to issue the relevant certificates, with the countersignature of the Chairman or, as the case may be, the Deputy Chairman;c) to fulfil the Board resolutions and to prepare all reports, documents and notices as may be entrusted to him by the Board, the Managing Director or the Chairman;d) to ensure that the actions of the Board of Directors comply with the letter and spirit of the laws and their regulations, and with the provisions issued by the regulatory bodies;e) to ensure compliance by the Board of Directors and by its Committees with the Corporate By-laws, the Regulations of the Shareholders Meeting and of the Board of Directors and with the Company's other rules on corporate governance;f) to ensure that the Company's rules of corporate governance and the actions of the Board of Directors are in line with the recommendations of good corporate governance in force at any given time. <p data-bbox="874 2045 1417 2076">g) <u>To assist the Chairman in order for</u></p>



	<p><u>All Directors to receive relevant information for the performance of their tasks sufficiently in advance and in the required format.</u></p> <p>The Board of Directors may appoint a Deputy Secretary, who need not be a Director, to assist the Secretary of the Board of Directors or to replace him, should he be absent, in the secretarial function. Should both be absent, the functions of Secretary shall be discharged by the youngest Director.</p>
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4. APPROVAL OF THE REPORT

Further to the foregoing and pursuant to the provisions established in Article 286 of the Spanish Companies Act and Article 158 of the Mercantile Registry Regulations, the Board of Directors hereby issues this Report on the amendment of the Company By-laws.

In Madrid, on 10 March 2015.



II. PROPOSED RESOLUTIONS.

PROPOSED RESOLUTIONS TO AMEND THE COMPANY BY-LAWS (POINT SIX OF THE AGENDA, SECTIONS 1, 2 & 3).

It is hereby agreed to propose to the General Shareholders Meeting an amendment of the Company By-laws, in the terms described in the Directors' Report, drawn up pursuant to Articles 286 of the Spanish Companies Act and 158 of the Mercantile Registry Regulations, in order to be separately voted upon, in each one of the following three sections, as carried out in this act:

Amendment of the Company By-laws in order to adjust to the latest legislative reforms introduced by Act 31/2014, of 3 December, amending the Spanish Companies Act to improve corporate governance, and other stylistic and structural changes used to clarify the text of the Company By-laws:

Section one.- Amendments in relation to the General Meeting and shareholders' rights: Amendment of Articles 11 ("General Shareholders Meeting"), 12 ("Types of Meeting"), 13 ("Calling of Meetings"), 15 ("Right of information and attendance at Meetings") and 17 ("Presiding Panel and deliberations").

A. To amend Article 11 ("General Shareholders Meeting"), which will hereinafter read as follows:

"Article 11.- Shareholders Meeting

Shareholders, met together in a Shareholders Meeting which has been duly called, shall decide by majority on the matters within the powers of the Shareholders Meeting or on those which are submitted by the Board of Directors, notwithstanding the fact that the Shareholders Meeting cannot usurp or assume powers which are under the exclusive jurisdiction of the Board of Directors.

In accordance with the Spanish Companies Act, the Shareholders Meeting has power to deliberate and resolve on the following matters:

- a) The approval of the financial statements, the distribution of income or allocation of loss, and approval of the conduct of management of the Company.*
- b) The appointment and removal of Directors, liquidators and, as the case may be, auditors, as well as the filing of a corporate action for liability against any of them.*
- c) The amendment of the Corporate By-laws.*
- d) Capital increases and reductions.*
- e) The removal or limitation of the preemptive right of subscription or assumption.*
- f) Ordering the acquisition, disposal or contribution to another company of essential assets. An asset will be presumed essential whenever the transaction amount exceeds twenty-five per cent of the "Assets" item reflected in the latest approved balance sheet.*
- g) An alteration of legal form, merger, spin-off or transfer en bloc of assets*



and liabilities, and transfer abroad of the registered office.

h) The dissolution of the Company.

i) The approval of the final liquidation balance sheet.

j) To approve a transfer to dependent entities of essential activities executed until then by the Company, even if the latter continues to fully own the former.

k) Approval of the remuneration policy for Directors, in the terms established in the Spanish Companies Act.

l) Any other matters determined by the law or the Corporate By-laws. In particular, the Shareholders Meeting shall have the power to approve transactions the effect of which is equivalent to that of the modification of the corporate purpose or to the liquidation of the Company.

All shareholders, including dissenting and absent shareholders, shall be subject to the resolutions of the Shareholders Meeting notwithstanding the statutory rights and remedies acknowledged to them.

The Shareholders Meeting shall be governed by the applicable legislation, by these By-laws and by its Regulations.

The Company guarantees at all times the equal treatment of all shareholders in the same position as regards information, participation and exercise of the right to vote at the Shareholders Meeting.”

B. To amend Article 12 (“Types of Meeting”), which will hereinafter read as follows:

“Article 12.- Types of Meeting

Shareholders Meetings may be Ordinary or Extraordinary and must be called by the Company’s Board of Directors.

The Ordinary Shareholders Meeting must be held, following the relevant call, within the first six months of each fiscal year, with a view to ratifying the conduct of management of the Company, approving, if appropriate, the financial statements and the management report for the previous fiscal year and resolving, as the case may be, on the distribution of income or allocation of loss.

Any other matter reserved by law or in the By-laws to the authority of the Shareholders Meeting may be decided at an Ordinary or Extraordinary Meeting.

The Ordinary Shareholders Meeting shall be valid even where called or held late.

An Extraordinary Shareholders Meeting shall be held whenever so resolved by the Board of Directors or when requested by a number of shareholders representing at least three percent of the capital stock, stating in their request the business to be transacted at the Meeting. In such case, the Shareholders Meeting must be called to be held within the two months following the date on which



the Board of Directors was asked, by way of a notary, to call the Meeting, and the business requested must be included in the Meeting agenda.”

C. To amend Article 13 (“Calling of Meetings”), which will hereinafter read as follows:

“Article 13.- Calling of Meetings

1. Both Ordinary and Extraordinary Shareholders Meetings must be called by means of a notice published in, at least, one of the following media: (i) the Official Gazette of the Mercantile Registry or one of the largest circulation newspapers in Spain; (ii) the website of the Spanish National Securities Market Commission; and (iii) the Company website. The notice published on the Company website shall remain accessible on the website at least until the Shareholders Meeting is held. The Board of Directors may decide to publish the notice in such other media as it may see fit to give greater publicity to the call.

2. The call shall be made at least one month prior to the date set for holding the Meeting. Notwithstanding the foregoing, where the Company offers shareholders the possibility of voting by electronic means that are accessible to all, Extraordinary Shareholders Meetings may be called a minimum of fifteen days in advance. The reduction of the call period shall require an express resolution adopted at the Shareholders Meeting by at least two-thirds of the subscribed voting capital stock and the period of validity of which may not extend beyond the date of the next Meeting.

3. The call notice shall indicate the name of the Company, date and timing of the Meeting on first call, the agenda with all the business to be transacted thereat, the office of the person or persons making the call, the date by which shareholders must have registered the shares in their name in order to be able to participate in and vote at the Shareholders Meeting, the place and form in which the full text of the documents and proposed resolutions can be obtained, and the address of the Company website on which the information will be available. The date on which, if appropriate, the Meeting is to be held on second call may also be stated. A minimum period of 24 hours must elapse between the two Meetings.

The notice shall also contain clear and exact information on the formalities to be completed by shareholders in order to be able to participate in and vote at the Shareholders Meeting, including, in particular, the following aspects:

- d) The right to request information, to include items on the agenda and to submit proposed resolutions, as well as the period for exercise of the right. Where it is placed on record that more detailed information on such rights can be obtained on the Company website, the notice may limit itself to indicating the period for exercise of the right.*
- e) The system for the casting of votes by proxy, with special indication of the forms to be used to grant the proxy and the means to be used so that the Company can accept notification by electronic means of the proxies granted.*
- f) The procedures established for casting votes by remote means, whether by post or electronic means.*



The call notice must state the right of shareholders to examine at the registered office and to obtain immediately free of charge the documents that are to be submitted to the approval of the Shareholders Meeting, and the technical reports established in the Law. Should the Shareholders Meeting have to decide on any amendment to the By-laws, the call notice must state, with due clarity, the points which are to be amended.

4. Shareholders owning three percent of the capital stock may ask the Board of Directors, within the period between the Company's last Shareholders Meeting and the date on which the Board resolves to call the next Meeting, to include any item on the agenda for the next Shareholders Meeting. Said request must be made in the manner and on the terms stipulated in the Regulations of the Shareholders Meeting. The Board shall include on the agenda the items requested in the manner which best suits the interests of the Company, provided that they relate to matters which are within the powers of the Shareholders Meeting.

5. From the publication of the call notice and until the holding of the Shareholders Meeting, the Company must publish, on an uninterrupted basis, at least the following information on its website:

- g) The call notice.*
- h) The total number of shares and voting rights at the date of the call, broken down by share class, if any.*
- i) The documents to be submitted to the Shareholders Meeting and, in particular, reports from directors, auditors and independent experts.*
- j) The full text of the proposed resolutions on each and every one of the points in the agenda or, in relation to points of a merely informative nature, a report by the competent bodies on each of said points. Proposed resolutions submitted by shareholders shall also be included when they are received.*
- k) For the appointment, ratification or re-election of members of the Board of Directors, the identity, c.v. and category to which each one belongs, as well as the proposal and reports referred to in Article 529.decies of the Spanish Companies Act. For legal entities, the information will include details of the individual appointed to permanently perform the tasks inherent to this post.*
- l) The forms to be used for voting by proxy and remote voting, except when they are sent directly by the Company to each shareholder. Where they cannot be published on the website for technical reasons, the Company must indicate on the website how to obtain the forms on paper and must send them to any shareholder who so requests.*

6. Shareholders representing at least three percent of the capital stock may request the publication of a supplement to the call notice for an Ordinary Shareholders Meeting, including one or more items on the agenda, provided that the new items are accompanied by a justification or, as the case may be, a justified proposed resolution. In no case may such right be exercised with respect to the call for Extraordinary Shareholders Meetings. This right must be exercised by giving duly authenticated notice which must be received at the registered office



within five days after the publication of the call notice. The supplement to the call notice must be published at least fifteen days prior to the date set for holding the Shareholders Meeting. Failure to publish the supplement to the call notice by the statutory deadline shall be a ground for challenging the Shareholders Meeting.

7. Shareholders representing at least three percent of the capital stock may, in the same period indicated in the preceding paragraph, submit reasoned proposals for resolutions on items already included or to be included in the agenda for the Shareholders Meeting called. The Company shall ensure the dissemination of these proposed resolutions and of any accompanying documentation to the rest of the shareholders, in accordance with the provisions of subarticle 5 d) hereof.

8. Shareholders Meetings shall be held in Spain at such venue as may be decided in each case by the Board of Directors, and as shall be duly indicated in the call notice.”

D. To amend Article 15 (“Right of information and attendance at Meetings”), which will hereinafter read as follows:

“Article 15.- Right to information and attendance at Meetings

Shareholders may attend the Shareholders Meeting if they are up to date in the payment of calls on unpaid capital and evidence their ownership by way of certification of the registration of their name in the accounting record of book entries at least five days before the date on which the Shareholders Meeting is to be held. Shareholders shall ask the entity in charge of the accounting record of book entries for the appropriate certificate of entitlement or equivalent document from the accounting record of book entries of the Company’s securities, in order to obtain, where necessary, the appropriate attendance card from the Company. Directors must attend Shareholders Meetings.

Shareholders who are entitled to attend may be represented at the Shareholders Meeting by another person, in the manner established by Articles 184 through 187 and 521, 522, 523 and 524 of the Spanish Companies Act, in relation, in any case, to the provisions of these By-laws. Proxies must be conferred in writing and specifically for each Meeting.

Proxies may be also granted by means of postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual granting the proxy and the security of the electronic communications is duly guaranteed, pursuant to the provisions of the applicable legislation and subject, if appropriate, to the provisions of Article 17 bis of these Corporate By-laws on the casting of votes by the aforesaid means, insofar as this is not incompatible with the nature of the proxy granted.

The provisions of the preceding two paragraphs shall also apply to the notification to the Company of the appointment of the proxy-holder and to the revocation of the appointment. The Company shall establish the system for electronic notification of the appointment, with the formal, necessary and proportionate requirements in order to guarantee the identity of the shareholder and of the proxy-holder(s) appointed by him.



Where instructions are issued by the represented shareholder, the proxy-holder shall cast his vote in accordance with such instructions and shall be obliged to keep the instructions for a period of one year as from the date of the relevant Shareholders Meeting.

Proxy-holders may hold the proxies of more than one shareholder with no limit on the number of shareholders they may represent. Where a proxy-holder holds several proxies, he may cast votes in different directions, in accordance with the instructions received from each shareholder. In all cases, the number of shares represented shall be calculated for the valid constitution of the Shareholders Meeting.

Prior to his appointment, a proxy-holder must provide detailed information to the shareholder on whether he has any conflict of interest, in accordance with the provisions of Article 523 of the Spanish Companies Act. If the conflict arises after his appointment and the proxy-holder has not warned the represented shareholder of its potential existence, he must inform the shareholder immediately. In both cases, if no new specific voting instructions have been received for each of the items on which the proxy-holder is to vote in the name of the shareholder, the proxy-holder must refrain from casting the vote.

Where the Directors of the Company, or another acting for the account or in the interests of any of them, have made a public proxy solicitation, the Director obtaining it may not exercise the right to vote attaching to the shares represented on those items on the agenda in respect of which he has a conflict of interest unless he has received specific voting instructions from the represented shareholder for each item, as provided in this Article, in accordance with Article 526 of the Spanish Companies Act.

Any entities registered as entitled shareholders according to the share accounting register, albeit acting on behalf of other persons, may in any case fraction their vote and vote against the proposal, further to different voting instructions, if such are received. These intermediary entities may grant a proxy to each indirect holder or to third parties designated by the latter, without limitation on the number of proxies granted.

Personal attendance at the Shareholders Meeting by the shareholder represented shall be deemed to revoke the proxy granted.

Shareholders may request such information or explanations as they deem necessary concerning the items of interest to them, in the manner stipulated by the applicable laws, and shall receive information via the Company website as stipulated by the Law, these By-laws and the rules on corporate governance.

From the date of publication of the call notice for the Shareholders Meeting until the fifth day prior to the date set for holding the Meeting on first call, shareholders may request in writing such information or clarifications as they deem necessary or pose in writing such questions as they deem relevant concerning the items on the agenda. During the same prior period and in the same manner, or orally during the Meeting, shareholders may request information, clarifications or pose questions concerning publicly available information furnished by the Company to the National Securities Market Commission since the last Shareholders Meeting was held and concerning the auditor's report.



All valid requests for information, clarifications or questions, made in writing, and the replies provided in writing by the directors, will be uploaded on the Company's website.

If prior to the formulation of a specific question, the requested information is clearly, directly and expressly available to all shareholders on the Company website in a question and answer format, Directors may merely reply by referring to the information provided in this form. Directors must furnish the information in writing up to the date of holding the Shareholders Meeting.

While the Shareholders Meeting is being held, Company shareholders may orally request such information or clarifications as they deem appropriate concerning the items on the agenda and, if this shareholders' right cannot be satisfied at that time, the Directors must provide that information in writing within seven days after the end of the Meeting.

Directors must provide the information requested pursuant to the foregoing paragraphs except in cases in which this information is unnecessary to protect shareholders' rights, or objective reasons exist to consider that it may be used for non-corporate purposes or that its disclosure could damage the Company or its related companies. Information may not be refused where the request is supported by shareholders who represent at least twenty-five (25) per cent of the capital stock.

No person may accumulate proxies in the name of the same shareholder which confer on him voting rights in the name of that shareholder that exceed the limits established in Article 5 of these By-laws."

- E. To amend Article 17 ("Presiding Panel, deliberations"), which will hereinafter read as follows:

Article 17.- Presiding Panel, deliberations

The Shareholders Meeting shall be chaired by the Chairman of the Board of Directors and, in his absence, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or to seniority in the office, if no rank has been established, and, in their absence, by the person designated by the Board of Directors and, in the absence of such designation, by such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders Meeting.

The Secretary or Deputy Secretary, if any, of the Board of Directors shall act as Secretary of the Shareholders Meeting. In the absence of both, such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders Meeting, shall act as Meeting Secretary.

The Chairman is responsible for directing and establishing the order of deliberations and speeches; for deciding on the form of voting on resolutions; for resolving any doubts, clarifications or complaints which are raised in relation to the agenda, the list of attendees, ownership of shares, delegations of authority or proxies, the requirements for the valid convening of, and adoption of resolutions by, the Shareholders Meeting, or regarding the By-law limit on the right to vote;



and for granting the floor to any shareholders requesting it, withdrawing it or refusing it and ending debates when he considers the matter being debated to have been sufficiently discussed.

Each share confers the right to one vote. Resolutions shall be adopted by a majority of the votes, a simple majority of the votes of the shareholders present or represented at the Meeting; a resolution will be deemed adopted whenever it obtains more votes in favour than against, of the capital stock present or represented. In order to adopt the resolutions foreseen in Article 14 of the By-laws, which require a greater quorum, if the capital stock present or represented exceeds fifty (50) per cent, it will suffice for the resolution to be adopted by an absolute majority. However, the favourable vote of two thirds of the capital stock present or represented at the Meeting will be required if, at second call, shareholders attending represent twenty-five (25) per cent or more of the voting capital subscribed, without reaching fifty (50) per cent. The foregoing will not apply in those cases where, unless the Law requires a greater majority.

No person, by virtue of his own right or of a proxy, may exercise voting rights which exceed the shareholding limits stipulated in Article 5 of these By-laws, with the exception of the provisions on public proxy solicitations set forth in the last paragraph of Article 15 above.

The statutory limit on shareholding in the Company shall also apply to the maximum number of votes that may be cast, collectively or separately, by two or more shareholders, one of whom owns indirect holdings in the capital stock of the Company (as defined in Article 5).

The limitations on voting rights stipulated by the Law and in these By-laws shall operate with respect to all matters submitted to a vote at a Shareholders Meeting, including the right to proportional representation referred to in Article 243 of the Spanish Companies Act, but shall not prevent the shares to which said right applies from being counted as voting capital stock in attendance for the purpose of calculating the necessary quorums for convening Shareholders Meetings.

For each resolution submitted to a vote the Shareholders Meeting must determine, at minimum, the number of shares with respect to which valid votes have been cast, the proportion of the capital stock represented by such votes, the total number of valid votes, the number of votes for and against each resolution and, as the case may be, the number of abstentions.

The resolutions approved and the result of the voting shall be published in full on the Company website within the five days following the end of the Shareholders Meeting.”

Section two: Amendments with respect to the legal regime applicable to Directors and the Board of Directors: Amendment of Articles 20 (“Board of Directors”), 21 (“Operation of the Board of Directors”), 25 (“Chairman of the Company”), 25.bis (“The Lead Independent Director”) and 26 (“Secretary of the Board of Directors”).

- A. To amend Article 20 (“Board of Directors”), which will hereinafter read as follows:



“Article 20.- Board of Directors

The Board of Directors shall be formed by at least nine (9) and not more than thirteen (13) members. Directors will be designated by the Shareholders Meeting or, if a vacancy arises in advance, the Board will designate it by co-optation. The Shareholders Meeting shall set the final number of Directors within the aforesaid maximum and minimum limits.

When selecting the Directors, regard shall be had to the Company’s capital composition and structure. It shall be sought to have non-executive Directors (independent, proprietary and other external directors) represent a broad majority. In any case, the Board shall be composed in such a way as to ensure that the capital stock is most suitably represented.

The Directors appointed shall hold office for four years and may be reappointed indefinitely, notwithstanding the power of the Shareholders Meeting to remove them at any time.

Directors need not be Company shareholders or members. Both individuals and legal entities may be appointed as Directors.

Directors shall be elected in observance of Articles 243, 244 and 529 decies of the Spanish Companies Act and supplemental provisions.

The Appointments and Remuneration Committee will propose the appointment or re-election of independent Directors. The Board will be in charge of proposing the appointment of all other Directors, subject to a prior opinion from the Appointments and Remuneration Committee. In any case, a proposed appointment or re-election of any Director will include an explanatory report from the Board, appraising the competence, experience and merits of the candidate, which will be attached to the minutes of the General Meeting or Board Meeting.

The provisions of this article will also apply to any individuals designated as attorneys of a legal entity Director. Any proposed attorney for a legal entity must be examined by the Appointments and Remuneration Committee.

Persons who, pursuant to the Law, are incompatible cannot be Directors.

The compensation of members of the Board of Directors as such shall consist of a fixed monthly fee for the attendance of meetings of the management bodies and a share in the Company’s income. The maximum overall annual compensation for the entire Board and for all the foregoing items shall be approved by the General Meeting and may in no case exceed 1.5% of the Company’s net income, approved by the Shareholders Meeting; this figure will remain in force insofar as a change is not approved. The foregoing compensation is, in all cases, a maximum figure and the Board itself shall be in charge of allocating its amount among the aforesaid items and among the Directors in such manner, at such time and in such proportion as the Board determines, based on the tasks and responsibilities assigned to each Director, any membership of Board committees and other objective circumstances deemed relevant.

Pursuant to Article 218 of the Spanish Companies Act, maximum compensation in the form of a share in income will also be 1.5% of the net income and may only be received by Directors after the provisions to the legal and by-law re-



erves have been covered and the shareholders have been recognized a dividend of not less than 4% of the face value of the shares.

Compensation consisting of the award of shares or stock options or compensation linked to share value shall require a resolution of the Shareholders Meeting. This resolution will include the maximum number of shares that may be assigned during each financial year to this remuneration system, the price for exercising the options and their calculation system, the share value taken as a reference and the term of this compensation system.

The compensation stipulated in this Article shall be compatible with and independent of salaries, wages, severance pay, pensions or compensation of any kind established generally or individually for members of the Board of Directors who perform executive tasks. All items for which these Directors may be remunerated, for performance of executive tasks, to include any future indemnification for early discharge from said tasks and amounts payable by the Company as insurance premiums or contributions to a savings plan, will be recorded in an agreement with the Company, to be previously approved by the Board of Directors with the favourable vote of two thirds of its members; the Director in question should abstain from the meeting's deliberations and voting.

All remuneration paid to Directors as such and any received for the performance of executive tasks will conform to the Directors' remuneration policy, to be approved by the General Meeting at least every three years, as a separate point of the agenda, in the terms foreseen in the Spanish Companies Act.

Directors' remuneration will in any case be reasonably proportional to the Company's relevance, its economic situation at all times and the market standards of comparable companies. The remuneration system established will aim at encouraging the Company's profitability and long-term sustainability, including the necessary caution to avoid undertaking excessive risks and rewarding unfavourable results.

The members of the Board of Directors shall discharge their office and their functions with the diligence of an organized businessman and with the loyalty of a loyal representative, acting in good faith and in the Company's best interests, pursuant to the Law and to these By-laws."

- B. To amend Article 21 ("Operation of the Board of Directors"), which will hereinafter read as follows:

"Article 21. Operation of the Board of Directors

The Board, subject to a prior opinion from the Appointments and Remuneration Committee, shall designate a Chairman from among its members and, if it deems appropriate, one or more Deputy Chairmen. The post of Chairman may be granted to an executive director, in which case it will be necessary to obtain a favourable majority of two thirds of the Board members for his appointment.

If the Chairman is also an executive director, the Board of Directors, with the abstention of all executive directors, will necessarily appoint, following a proposal by the Appointments and Remuneration Committee, one of the independent directors to be the Lead Independent Director.



The Board, subject to a prior opinion from the Appointments and Remuneration Committee, shall also freely appoint the person who is to hold office as Secretary of the Board and, if it deems appropriate, shall also appoint a Deputy Secretary. The same process will be followed to remove the Secretary and Deputy Secretary, if any. Neither the Secretary nor the Deputy Secretary need be a Director.

In the absence of the Chairman of the Board, and should there be one, of the Lead Independent Director, Board meetings shall be chaired, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or, if no rank has been established, by the Director who has held office for the longest time. In the Secretary's absence, his functions shall be discharged by the Deputy Secretary, if any, and in his absence, by the youngest Director from among those attending the meeting.

The Board shall meet where required by the Company's interests and at least once per quarter and, in any case, within not more than three months from the end of the financial year, with a view to drawing up the financial statements, the management report and the proposal for the distribution of income and allocation of loss.

All Directors will personally attend any meetings held. Notwithstanding the foregoing, each Director may have another Director represent him and vote on his behalf at meetings of the Board of Directors, by virtue of delegation in writing especially for each Board meeting. Non-executive Directors may only confer a proxy to another non-executive director.

Board meetings shall be called by the Chairman or by whoever is acting as Chairman and shall meet on the days which the Chairman decides and whenever deemed appropriate by the Chairman or requested by the Lead Independent Director or three (3) Directors, stating in the request the matters to be discussed at the meeting. In addition, Directors constituting at least one-third of the members of the Board, and in the above case, the three (3) Directors who have made the request or the Lead Independent Director, may call a Board meeting, setting the agenda, to be held in the municipality in which the registered office is located, if, after making a request to the Chairman, the Chairman fails to call the meeting within one month without just cause. The call shall be issued in writing, addressed personally to each Director and sent by any means capable of leaving record of the contents of the notice and of its receipt, sufficiently in advance of the date set for the Board meeting.

A Board meeting may be held without a call where all Directors are present and all agree to the holding of the meeting.

Board meetings shall be validly convened where one half plus one of the Board members are present or represented at the meeting.

Voting in writing without a meeting being held shall only be admitted when no Director objects to this procedure.

When the Chairman or the person chairing the meeting in the absence of the Chairman deems a matter to have been sufficiently debated, he shall submit it to a vote. Each Director present or duly represented shall have one vote. Resolutions shall be adopted by an absolute majority of the directors in attendance at



the meeting, in person or by proxy, except in cases where the Law requires resolutions to be adopted by a greater majority. In the case of a tie, the Chairman shall have the casting vote.

Minutes shall be approved by the Board of Directors itself at the end of the meeting or at the beginning of the next meeting, and shall be signed by the Secretary of the Board, or the meeting Secretary, and countersigned by the person acting as Chairman. Board minutes shall be transcribed in a minutes book, which shall be signed by the Secretary of the Board and countersigned by the Chairman.

If vacancies arise during the term for which Directors were appointed, the Board may designate such persons as are to cover those vacancies until the next Shareholders Meeting is held. If a vacancy after a General Meeting has been called but not yet held, the Board of Directors may designate a director until the next General Meeting is held.”

- C. To amend Article 25 (“Chairman of the Company”), which will hereinafter read as follows:

“Article 25. - Chairman of the Company.

The Chairman of the Board of Directors shall be deemed to be the Chairman of the Company, and shall be in charge of ensuring compliance with the resolutions of the Board of Directors, which he shall represent on a permanent basis.

In addition to the Board of Directors and, where appropriate, the Managing Director(s), the power to represent the Company, both in and out of court, may vest with the Chairman of the Board.

The existence of the Chairman of the Board shall be deemed to be without prejudice to the power of the Board of Directors to appoint one or more Managing Directors, as well as to confer on them such permanent powers as may be considered appropriate, pursuant to the provisions of article 22 of these By-laws.

The Chairman of the Board will be the senior person in charge of the effective running of the Board of Directors. In addition to the powers granted by Law and these By-laws or the Board of Directors Regulations, he will hold the following:

- a) To call and chair meetings of the Board of Directors, determining the agenda of the meetings and directing all discussions and deliberations.*
- b) To chair the General Shareholders Meeting.*
- c) To ensure that all Directors are previously sufficiently informed in order to discuss the points of the agenda.*
- d) To stimulate discussion and the active participation of Directors during all meetings, ensuring that they are able to freely adopt positions.”*

- D. To amend Article 25.bis (“The Lead Independent Director”), which will hereinafter read as follows:

“Article 25 bis.- Lead Independent Director



1. *In the event the Board appoints one of the Independent Directors to the office of Lead Independent Director, the essential duty of this position, which must be taken into account in the performance of the other duties envisaged in the Law, these By-laws and the Board of Directors Regulations, shall be to organize the possible common positions of the non executive directors and, specially, of the independent directors, and serve as a channel for expressing or giving voice to these common positions before the Chairman of the Board of Directors, the Board itself, and the Board Committees.*

2. *The Lead Independent Director shall hold office for three (3) years, following which he/she may be re-elected. The Lead Independent Director shall cease to hold office when he/she ceases to be a Director, or when he/she ceases to be independent whilst remaining a director, or when the Board of Directors should so decide, following a proposal by the Appointments and Remuneration Committee.”*

E. To amend Article 26 (“Secretary of the Board of Directors”), which will hereinafter read as follows:

“Article 26.- Secretary of the Board

The following functions shall be attributed to the Secretary of the Board of Directors, in addition to those entrusted by Law and these By-laws or the Board Regulations:

a) *to draw up the minutes of Shareholders Meetings and Board meetings, making a record of the progress of the meeting and, if appropriate, to sign them with the countersignature of the person acting as meeting Chairman, keeping the documentation of the Board of Directors;*

b) *to issue the relevant certificates, with the countersignature of the Chairman or, as the case may be, the Deputy Chairman;*

c) *to fulfil the Board resolutions and to prepare all reports, documents and notices as may be entrusted to him by the Board, the Managing Director or the Chairman;*

d) *to ensure that the actions of the Board of Directors comply with the letter and spirit of the laws and their regulations, and with the provisions issued by the regulatory bodies;*

e) *to ensure compliance by the Board of Directors and by its Committees with the Corporate By-laws, the Regulations of the Shareholders Meeting and of the Board of Directors and with the Company’s other rules on corporate governance;*

f) *to ensure that the Company’s rules of corporate governance and the actions of the Board of Directors are in line with the recommendations of good corporate governance in force at any given time.*

g) *To assist the Chairman in order for all Directors to receive relevant information for the performance of their tasks sufficiently in advance and in the required format.*



The Board of Directors may appoint a Deputy Secretary, who need not be a Director, to assist the Secretary of the Board of Directors or to replace him, should he be absent, in the secretarial function. Should both be absent, the functions of Secretary shall be discharged by the youngest Director.”



Section three: Amendments in relation to the Committees of the Board of Directors: Amendment of Articles 22 (“Board Committees and Delegation of Powers”), 23 (“Auditing Committee”) and 24 (“Governance and Corporate Responsibility Committee”).

- A. To amend Article 22 (“Board Committees and Delegation of Powers”), which will hereinafter read as follows:

“Article 22.- Board Committees and delegation of powers.

The Board shall approve its internal Regulations with the basic rules on its organization and operation, the rules of conduct of its members and its system of supervision and control, with a view to attaining the optimum professionalism and efficiency in its work, promoting the active participation of all its members, subordinating its own interests to those of the Company and of its shareholders, in compliance with the Law, the By-laws and the principles of good corporate governance.

The Board shall act in plenum or in committees which may be set up on a permanent basis or for a specific matter, with delegated and executive powers, or powers to research, advise or propose. Pursuant to the Law and to these By-laws, there must be an Auditing Committee and an Appointments and Remuneration Committee, notwithstanding any other name they may be ascribed by the Board of Directors from time to time, with the functions indicated in the following Articles. Additionally the Board shall set up, having regard to the recommendations on corporate governance from time to time in force, such other committees as it deems suitable to the Company’s optimum organization and operation.

The Committees shall keep the Board of Directors informed of their work at all times. Furthermore, the minutes of all Committee meetings will be made available to all members of the Board of Directors.

Notwithstanding such powers of attorney as may be conferred on any person, the Board of Directors may designate an Executive Committee, which shall be composed of such Directors as may be resolved by the Board and on which the Secretary of the Board shall act as Secretary.

Likewise, the Board of Directors may appoint from amongst its members one or more Managing Directors, who may be directors other than the Chairman of the Board of Directors, which, if applicable, will be members of the Executive Committee, and who shall be conferred such powers as may be considered appropriate and, in any case, establishing the content, limits and types of delegation. In the event that powers are delegated on a permanent basis in favour of various Directors, those powers which are to be exercised jointly and severally, and those which are to be exercised jointly, should be specified. Likewise, if all such powers are to be exercised in one form or the other, this should also be specified.

If a member of the Board of Directors is appointed Managing Director or is entrusted with executive duties by virtue of another title, an agreement must be signed by the latter and the Company, pursuant to Article 20 of these By-laws and the Spanish Companies Act.



The setting up of the Executive Committee, the designation of the Directors who are to sit on it, the designation of Managing Director(s) and the permanent delegation of powers, if any, shall require the affirmative vote of two thirds of the members of the Company's Board of Directors to be valid, and will not be effective until it is recorded at the Mercantile Registry. Notwithstanding delegation, the Board of Directors shall retain the powers delegated that may correspond to it."

- B. To amend Article 23 ("Auditing Committee"), which will hereinafter read as follows:

"Article 23.- Auditing Committee

1. *The Company shall have an Auditing Committee composed of a number of members to be determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5), from among non-executive Directors and with a majority of Independent Directors, all of whom are to be appointed taking into account their knowledge of and experience in accounting and/or audit from among its members. The Chairman shall be an Independent Director designated from among its members. The Secretary of the Board of Directors shall act as Secretary of the Auditing Committee.*

The Committee shall support the Board of Directors in supervising economic and financial processes and the independence of the External Auditor, and in the internal control of the Company.

2. *The Auditing Committee shall have at least the following powers:*

(i) *To report at Shareholders Meetings on matters falling within its jurisdiction which are raised in relation to the matters entrusted to the Committee.*

(ii) *To supervise the efficacy of the Company's internal control, any internal audit, and risk management systems, including tax risks, as well as discuss with the external auditors any significant weaknesses of the internal control system detected in the course of the audit.*

(iii) *To supervise the process of preparing and filing the necessary financial information.*

(iv) *To present to the Board of Directors any proposals for selection, appointment, re-election and replacement of external auditors, as well as the terms of their contract, and to regularly collect from the auditors information on the auditing plan and its performance, as well as to preserve their impartiality during the exercise of their tasks.*

(v) *To duly engage with the external auditors in order to receive information on any issues that may jeopardize their independence, for their examination by the Committee, and any other issues relating to the audit process, as well as other communications provided for in audit legislation and audit standards. In any case, they must receive each year from the external auditors a statement of their independence in relation to the Company or entities related to the Company directly or indirectly, as well as information on additional services of any kind provided to such entities, and any professional fees paid by these entities,*



by those external auditors or by persons or entities related to those auditors in accordance with the provisions of auditing legislation in force.

(vi) Before the auditors' report is issued, to issue a report each year expressing an opinion on the independence of the external auditors or audit firms. This report must, in any case, contain an appraisal of the provision of the additional services referred to in the preceding letter, considered both individually and overall, other than legal auditing services and in relation to the independence requirement or auditing regulations.

(vii) To previously inform the Board of Directors about any matters foreseen in the Law, By-laws and Board Regulations, to particularly include:

1. Any financial information that the Company needs to periodically publish.
2. The creation or acquisition of participations in special purpose vehicles or entities domiciled in countries or territories that are considered tax havens.
3. Any operations with related parties.

(viii) Any other power attributed to the Board, either in general in its Regulations or entrusted to it in particular.

The provisions established in iv), v) and v) above will apply without prejudice to applicable auditing regulations.

3. Any member of the management team or Company personnel who is required for such purpose shall be obliged to attend Committee meetings and must provide assistance and allow access to the information available to him. In order to discharge its functions, the Committee shall have access to the means necessary for its functioning.

4. The Board of Directors shall expand on the powers and the rules of operation of the Auditing Committee either in specific regulations or in special provisions of the Board Regulations, and will strive to encourage the Committee's independence in the exercise of its tasks."

- C. To rename Article 24 ("Governance and Corporate Responsibility Committee" and amend its content, hereinafter reading as follows:

"Article 24. Appointments and Remuneration Committee

1. The Company shall have an Appointments and Remuneration Committee, which shall be formed by a number of Directors to be determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5) from amongst the non-executive Directors, and with the majority of its members being Independent Directors.

The Committee Chairman shall be an Independent Director elected by its members and the Secretary shall be the Secretary of the Board of Directors.

2. Without prejudice to any other tasks entrusted by Law, these By-laws or, in line with the same, the Board of Directors Regulations, the Appointments and Remuneration Committee will at least hold the following powers:



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- a) *To evaluate the competences, knowledge and experience required for the Board of Directors. To this effect, it will define the duties and skills expected of any candidates for each vacancy and will evaluate the necessary time and dedication to enable them to effectively execute their task.*
 - b) *To establish a representation goal for the least represented gender on the Board of Directors and provide guidelines on how to obtain this goal.*
 - c) *To present the Board of Directors for any proposed appointments of independent Directors, for their designation by co-optation or to be decided upon by the General Meeting, as well as any proposals to re-elect or remove these Directors by the General Meeting.*
 - d) *To forward any proposed appointments of the other Directors, for their designation by co-optation or to be decided upon by the General Shareholders Meeting, as well as any proposals to re-elect or remove these Directors by the General Shareholders Meeting.*
 - e) *To forward any proposals to appoint and remove senior executive and the basic terms of their contracts.*
 - f) *To examine and arrange the succession process of the Chairman of the Board of Directors and CEO of the Company and, if necessary, to make proposals to the Board of Directors in order for this succession to take place in an orderly and planned manner.*
 - g) *To propose to the Board of Directors the remuneration policy for Directors and general managers, or those performing senior management duties and directly reporting to the Board, Executive Committees or Managing Directors, as well as their individual remuneration and other contractual conditions of executive Directors, ensuring that these are observed.*
 - h) *To propose to the Board the appointment of the Lead Independent Director.*
 - i) *to assume such reporting, supervising and proposing functions in the area of corporate governance and corporate responsibility, as may be determined by the Board of Directors, as long as no ad hoc Committee has been set up for those functions.”*