

Report on change to Board Rules, held in June 2018

Junta '19
General de Accionistas
Annual Shareholders Meeting

DIRECTORS' REPORT JUSTIFYING THE PROPOSED AMENDMENT TO THE REGULATIONS GOVERNING THE CELLNEX TELECOM, S.A. BOARD OF DIRECTORS

PURPOSE OF THE REPORT

The Board of Directors of Cellnex Telecom, S.A. (the "**Company**") hereby issues this report to justify the proposed amendment to the Regulations Governing the Board of Directors.

In compliance with the provisions of Article 528 of Legislative Royal Decree 1/2010 of 2 July, approving the revised text of the Law on Corporations (the "**Law on Corporations**"), the next Company General Shareholders' Meeting will be informed as to the amendment to the Regulations Governing the Board of Directors, and this report will be made available to the shareholders upon its announcement.

JUSTIFICATION OF THE PROPOSAL

The amendment to the Regulations Governing the Board of Directors aims to introduce some recommendations of the Code of Good Governance of Listed Companies approved by the Spanish National Securities Market Commission in February 2015, some at the proposal of the external consultant who, in accordance with the provisions of Recommendation 36 of the aforementioned Code, has assisted the Board of Directors in the performance of its annual assessment.

In particular, the following have been introduced: (i) Recommendation 21, relating to the removal of independent directors, (ii) Recommendation 24, relating to the explanation and publication of the reasons for the cessation of a director prior to the end of his or her mandate, (iii) Recommendation 25, relating to establishment of a maximum number of company boards on which Company directors may sit, (iv) Recommendation 26 relating to the possibility for directors to propose other items for the agenda initially not envisaged, (v) Recommendation 34, relating to the entitlements of the coordinator director, and (vi) Recommendation 42.2, relating to the functions of the Audit Committee in relation to the external auditor.

For the purposes of facilitating the understanding of the proposal and allowing a visualization of the extent of the amendment, the full text of the Regulation is included in which the proposed amendments are marked.

Barcelona, on 28 June 2018.

APPENDIX

BOARD OF DIRECTORS REGULATIONS

Chapter I. PRELIMINARY

Article 1. Purpose

1. The purpose of these Regulations is to determine the principles of action for the Board of Directors of **Cellnex Telecom, S.A.**, the basic rules of its organisation and operation and the rules of conduct for its members.
2. The rules of conduct established in these Regulations for directors will apply, insofar as compatible with their specific nature, to the senior management of the Company. For these purposes, senior management will be understood as those executives directly dependent on the Board or on the Company's CEO.

Article 2. Interpretation

These Regulations will be interpreted in accordance with the legal and statutory regulations currently in force.

Article 3. Dissemination

1. Directors and the senior management will be obliged to know these Regulations, comply with them and ensure their compliance. To this effect, the Board Secretary will provide each of them with a copy thereof.
2. The Board of Directors will adopt the appropriate measures so that the Regulations are available to shareholders and the investing public in general.

Chapter II. MISSION OF THE BOARD

Article 4. Mission

1. The actions of the Board of Directors in the interest of its shareholders and in compliance with its legal and statutory functions and those arising from these Regulations will be exercised while respecting, in particular, the requirements imposed by Law, complying in good faith with explicit and implicit contracts with workers, suppliers, financiers and customers and, in general, observing those ethical duties that are reasonably imposed by responsible business conduct.
2. Without prejudice to the legally and statutory envisaged responsibilities, the Plenary Session of the Board shall be responsible for approving the Company's strategy, the organisation in order to put this into practice, and for supervising and ensuring that the Management fulfils the set objectives and respects the Company's corporate purpose and interest. To this effect, the Plenary Session of the Board will, without prejudice to the effects that the delegations and granted powers will have towards third parties, have the authority to approve:
 - a) The supervision of the effective operation of those committees which may have been set up and of the performance of the delegated bodies and of any executives which may have been appointed.
 - b) The determination of the Company's general policies and strategies.

- c) The authorisation or exemption of the obligations derived from the duty of loyalty, in accordance with the provisions of article 230 of the Law on Capital Companies.
- d) Its own organisation and operation.
- e) The drafting of the annual accounts and the submission thereof to the general meeting.
- f) The drafting of any manner of report required of the administrative body by law, provided the operation referred to by the report cannot not be delegated.
- g) The appointment and dismissal of the Company's CEOs, as well as the setting of the conditions of the contract thereof.
- h) The appointment and dismissal of those executives who answer directly to the board or to any of the members thereof, as well as the setting of the basic conditions of their contracts, including their remuneration.
- i) The decisions concerning the remuneration of directors, within the statutory framework and, where applicable, within the remuneration policy approved by the general meeting.
- j) The calling of the general shareholders' meeting and the preparation of the agenda and proposed resolutions.
- k) The policy relating to treasury stock.
- l) Those powers that the general meeting may have delegated to the board of directors. Said power cannot be delegated, unless the general meeting has expressly authorised the sub-delegation thereof.
- m) The approval of the strategic or business plan, management objectives and annual budgets, the investment and financing policy, the corporate social responsibility policy and the dividend policy.
- n) The determination of the risk control and management policy, including fiscal risks, and the supervision of the internal IT and control systems.
- o) The determination of the corporate governance policy of the Company and of the group of which it is the parent entity; the organisation and operation thereof, and, in particular, the approval and modification of its internal regulations.
- p) The approval of the financial information which, due to the Company being listed, must be published periodically.
- q) The definition of the structure of the group of companies of which the Company is the parent entity.
- r) The approval of investments or operations of all types that, due to their high value or special characteristics, are of a strategic nature or entail a particular fiscal risk, except when their approval is the responsibility of the general meeting.

- s) The approval of the creation or acquisition of shares in entities with a special purpose or domiciled in countries or territories considered as being tax havens, plus any other transactions or operations of a similar nature that, due to their complexity, could damage the transparency of the Company and its group.
- t) The approval, subject to a report from the audit committee, of those operations that the Company or companies in its group conduct with directors, under the terms of articles 229 and 230 of the Law on Capital Companies, or with shareholders with significant holdings, either individually or jointly with others, including shareholders represented on the board of directors of the Company or of other companies which form part of the same group, or with persons linked to the same. Those directors affected, or who represent or are associated with the affected shareholders, must abstain from participating in the deliberation and voting on the resolution in question. The only operations exempt from said approval are those which comply with the following three characteristics:
 - 1. those which are conducted by virtue of contracts, the conditions of which are standardised and apply en masse to a large number of customers;
 - 2. those which are conducted at general prices or rates established by whoever acts as the supplier of the good or service in question; and
 - 3. those whose amount does not exceed one per cent of the Company's annual income.
- u) The determination of the Company's fiscal strategy.

Notwithstanding the foregoing, in the event of a duly justified emergency, those decisions corresponding to the matters indicated in article 529 ter of the Law on Capital Companies may be taken by the delegated bodies or persons; said decisions must be ratified in the first session of the Board of Directors held subsequent to the adoption thereof.

- 3. The Board will be validly constituted when the majority of its members attend the meeting, either present or represented.

To adopt the resolutions, an absolute majority vote of the directors in attendance, present or represented, will be required, except in cases where any power of the Board of Directors has been permanently delegated to the Executive Committee or to the Chief Executive Officer and the appointment of the directors who have to occupy such posts, for which the favourable vote of two-thirds of the Board will be required.

Chapter III. COMPOSITION OF THE BOARD AND TYPES OF DIRECTORS

Article 5. Qualitative composition

- 1. The Board of Directors, in exercising its powers of proposal to the General Meeting and of co-option for covering vacancies, will ensure (i) that diversity in terms of gender, experience and knowledge is encouraged, and (ii) that external or non-executive directors represent a majority in its composition, compared to the executive directors.

To this effect, and without prejudice to the provisions of article 6 below, executive directors will be understood to be the Managing Director and those of any other title who hold managerial responsibilities within the Company.

2. The Board will also ensure that the majority group of external directors includes holders, or those who represent the interests of the holders, of significant stable shares in the Company's capital (directors representing substantial shareholders) and well-renowned people who are not related to the team or to the significant shareholders (independent directors).
3. With the aim of establishing a reasonable balance between the directors representing significant shareholders and the independent directors, the Board will consider the structure of the Company's property, the importance in absolute and comparative terms of the significant shareholdings, and the degree of permanency, compromise and strategic connections with the Company of the holders of said significant shareholdings.

Article 6. Types of directors

- a) **Executive directors:** those directors who perform management duties in the Company or in its group, irrespective of the legal link they maintain with the Company. Nonetheless, those directors who form part of the senior management or directors of companies belonging to the group of the Company's parent entity shall, in the Company, be considered as representing significant shareholders.

Moreover, when a director performs management duties and, at the same time, is or represents a significant shareholder or one who is represented on the Board of Directors, s/he shall be considered as an executive director.

- b) **Non-executive directors:** all other directors of the Company, be they representatives of significant shareholders, independent directors or other external directors.
- c) **Directors representing significant shareholders:** those who possess a shareholding equal to or greater than that which is legally considered as significant, or who have been appointed owing to their status as shareholders, even though their shareholdings do not reach said amount, as well as those who represent shareholders of the types referred to above.
- d) **Independent directors:** those who, appointed for their personal and professional qualities, may conduct the duties inherent to the position without being influenced by relationships with the Company or its group, its significant shareholders, or its executives.
- e) **Other external directors:** those who, not being executives, do not meet the requirements to be considered as directors representing significant shareholders or independent directors.

For the purposes of the registration of directors in the Mercantile Register, the resolution of the General Meeting or the Board of Directors, as applicable, must contain the director's category.

Article 7. Situations which are incompatible with the post of independent director

1. Persons who find themselves in any of the following situations may not be considered under any circumstances as independent directors:

- a) Those who have been employees or executive directors of group companies, unless three (3) years or five (5) years, respectively, have elapsed since the end of said relationship.
- b) Those who receive from the Company, or from its group, any amount or benefit other than a director's remuneration, unless it is insignificant for the director. For the present purposes, this will not include dividends or pension supplements received by the director for his/her former professional or employment relationship, provided that such supplements are unconditional and, consequently, the Company paying them cannot suspend, modify or revoke the payment thereof at its own discretion, without breaching its obligations.
- c) Those who are, or have been during the last three (3) years, partners of the external auditor or auditor responsible for the audit report, when the audit in question was carried out during said period in the Company or any of its group companies.
- d) Those who are executive directors or members of the senior management in a different company in which any executive director or member of the senior management of this company is an external director.
- e) Those who maintain, or have maintained, over the previous year, a significant business relationship with the Company or with any company in its group, either on their own behalf or as significant shareholders, directors or members of the senior management of an entity which maintains, or which may have maintained, the aforesaid relationship. Business relationships will be considered as those of a supplier of goods or services, including financial services, and those offered by consultants or advisors.
- f) Those who are significant shareholders, executive directors or members of the senior management of a company which receives, or which has received during the previous three (3) years, donations from the Company or from its group.

Persons who are merely trustees in a foundation receiving donations shall not be deemed to be included in this section.

- g) Spouses, persons linked by a similar relationship, or related up to second degree to an executive director or member of the senior management of the Company.
 - h) Those who have not been proposed, either for appointment or re-election, by the Appointments and Remuneration Committee.
 - i) Those who have been directors for a continuous period of more than twelve (12) years.
 - j) Those who, with respect to any significant shareholder or shareholder represented on the Board, may find themselves in any of the situations referred to in paragraphs a), e), f) or g) above. In the event of the family relationships mentioned in paragraph g), the limitation will apply not only with regard to the shareholder, but also with regard to the directors representing said shareholder on the Board of Directors in the investee company.
2. Directors representing substantial shareholders who lose said status as a consequence of the shareholders selling the holding they represented, may only be re-elected as independent directors when the shareholder they have represented up to such time has sold all its shares in the Company.

3. A director who possesses a shareholding in the Company may have the status of independent director, provided s/he meets all conditions established in this article and, in addition, his/her shareholding is not significant.

Article 8. Quantitative composition

1. The Board of Directors will be comprised of the number of directors determined by the General Meeting, within the limits set by the Company's corporate bylaws.
2. The Board shall propose to the General Meeting the number which, in accordance with the changing circumstances of the Company, is most appropriate in order to guarantee the correct representation and efficient operation of the Board.

Chapter IV. STRUCTURE OF THE BOARD OF DIRECTORS

Article 9. The Chair of the Board

1. The position of Chair of the Board of Director may be filled by an executive director, in which case, the appointment of the Chair will require the favourable vote of two thirds of the members of the Board. In the event that the Chair has the status of executive director, the Board of Directors, with the abstention of the executive directors, must necessarily appoint a coordinating director for the independent directors, who will be specifically empowered to request the convening of a meeting of the Board of Directors, or the inclusion of new items on the agenda of a previously convened Board Meeting, to coordinate and bring together the non-executive directors and to supervise, where applicable, the periodic evaluation of the Chair of the Board of Directors.
2. The Chair of the Board of Directors will be elected from among the members thereof, subject to a report from the Appointments and Remuneration Committee. The Chair will have the powers provided for by Law, the corporate bylaws, these Regulations, and those that are in each case entrusted to him/her by the Board.
3. The Chair has the ordinary power to convene the Board of Directors, to propose the agenda of the sessions thereof and to lead the discussions and deliberation, encouraging debate and the active participation of the directors during the sessions, safeguarding their freedom to take a position. Moreover, s/he must ensure that the directors receive adequate information in advance of meetings in order to be able to deliberate on the agenda items.

The Chair is also responsible for preparing and submitting to the Board of Directors a programme of dates and matters to be addressed *during each financial year, without prejudice to the possibility of each director to suggest other items on the agenda that were not originally included therein*; for managing the Board and ensuring the effectiveness of its operations; for ensuring that sufficient time is devoted to discussing strategic matters; and for agreeing on and reviewing updated awareness programmes for directors whenever circumstances deem such action advisable.

4. The delegation of powers to the Chair, when these are not usually exercised by him/her, will not entail him/her no longer being considered an external director.

5. The Chair is responsible for chairing the General Shareholders' Meeting.
- ~~6. Should the Chair of the Board of Directors perform executive duties, the Board of the Administration, with the abstention of the executive Directors, must necessarily appoint, from among the independent directors, a coordinating director who will be specially empowered to:~~

- ~~— Ask the Chair of the Board of Directors to convene said body when s/he considers such an action advisable.~~
- ~~— Request the inclusion of matters in the agenda of Board meetings.~~
- ~~— Coordinate, gather and reflect the opinions of the external directors.~~
- ~~— Supervise the periodic evaluation of the Chair of the Board of Directors.~~

6. *When there is a Coordinating Director, in addition to the entitlements provided for in paragraph 1 of this Article, he or she will have the following:*
 - *To chair the board of directors in the absence of the chairperson and vice-chairpersons, if any.*
 - *To voice the concerns of the non-executive directors*
 - *To keep in contact with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of the company.*
 - *To coordinate the Chairperson succession plan.*

Article 10. The Vice-Chair

The Board, subject to a report from the Appointments and Remuneration Committee, may appoint one or more Vice-Chairs who will stand in for the Chair when the latter cannot act for any reason.

Article 11. The Secretary of the Board

1. The Secretary of the Board of Directors may or may not be a director.
2. The Secretary will assist the Chair in his/her duties and must act to support the proper operation of the Board, attending in particular to providing the directors with advice and to remitting the information relevant for the exercising of their duties, sufficiently in advance and in a suitable format. Moreover, s/he will keep the documentation of the Board of Directors, duly reflecting the proceedings of meetings in the books of minutes, certifying the content thereof and of the resolutions adopted.
3. The Secretary will, in all cases, ensure the formal and material legality of the Board's actions and will ensure that the Board of Director's actions comply with the applicable regulations and are consistent with the corporate bylaws and all other internal regulations.
4. The Secretary will be appointed and, where appropriate, dismissed by Plenary the Session of the Board, subject to a report, in both cases, by Appointments and the Remuneration Committee.

Article 12. The Vice-Secretary of the Board

The Board of Directors, subject to a report from the Appointments and Remuneration Committee, may appoint a Vice-Secretary, who may or may not be a director, for the purpose of assisting the Secretary of the Board of Directors in the performance of this function, or to substitute him/her in the case of his/her absence.

Article 13. Delegated bodies of the Board of Directors

1. Without prejudice to the delegation of powers made individually to the Chair or any other director and the power that s/he has to form Delegated Committees for specific areas of activity, the Board of Directors may set up an Executive Committee with general powers of decision, and in all cases, will appoint an Audit and Review Committee and an Appointments and Remuneration Committee; the latter bodies will solely have powers of information, supervision, guidance and proposal in those matters determined by the following articles.
2. Without prejudice to the functions indicated in Article 16, the Appointments and Remuneration Committee will assess the profile of the people most suitable to make up the various Committees and will present the corresponding proposals to the Board. In all cases, it will take into consideration the suggestions made by the Chair and the Managing Director.
3. With the exception of the provisions of the corporate bylaws and these Regulations, the Committees may regulate their own operation. Unless provided for in particular, the operating rules established in these Regulations concerning the Board of Directors will apply, provided these are compatible with the nature and function of the corresponding committee.
4. The Board of Directors may also establish as many other Committees as it deems necessary, as well as any other bodies which may carry out advisory or consultative functions within a certain territory, it being able to set, where applicable, the remunerated nature thereof.

Article 14. The Executive Committee

1. The Board may appoint an Executive Committee that will comprise the number of directors determined in each case, within the minimum and maximum provided for by the corporate bylaws, meeting the criteria indicated in Article 5 of these Regulations and reflecting the composition of the Board in as far as possible.
2. The Chair and the Managing Director will be members thereof.
3. The adoption of the decision to appoint members of the Executive Committee and the delegation of powers will require the favourable vote of at least two thirds of the members of the Board of Directors.
4. The Chair of the Board of Directors will act as Chair of the Executive Committee and its secretary will be the Secretary of the Board, assisted by the Vice-Secretary.
5. The Executive Committee will exercise the powers delegated to it by the Board of Directors.

The resolutions of the Executive Committee will be adopted with the favourable vote of the absolute majority of those attending the session, either present or represented.

Article 15. The Audit and Review Committee

1. The Board of Directors shall appoint from among its members an Audit and Control Committee which shall consist of a minimum of three (3) members and a maximum of five (5) members. The Audit and Control Committee shall be composed exclusively of non-executive directors, most of whom, at least, they must be independent directors and one of them shall be appointed taking into account their knowledge and experience in accounting, auditing or both. As a whole, the members of the Audit and Control Committee will have the relevant expertise in relation to the activity sector to which the society belongs.
2. Without prejudice to the other tasks assigned to it by the applicable legislation or the Board, the Audit and Review Committee will have at least the following responsibilities:
 - a) To inform the General Shareholders' Meeting on questions arising in relation to those matters which fall within the competence of the Committee.
 - b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, proposals for the selection, appointment, re-election and replacement of the external accounts auditor or auditing company, the contract conditions, the scope of the professional mandate and, where appropriate, revocation or non-renovation, all pursuant to the current regulations, as well as to regularly gather from the same information on the audit plan and the implementation thereof, and to safeguard their independence in the exercising of their duties.
 - c) To monitor the process of preparing and presenting the mandatory financial information as well as the integrity thereof.
 - d) To establish the appropriate relations with the accounts auditors or external auditing companies in order to receive information on issues which may prejudice their independence, to be studied by the Committee, and any other information related to the auditing of the accounts, as well as any other notifications envisaged in the legislation and regulations concerning the auditing of accounts. In all cases, they must receive on an annual basis from the accounts auditors or external auditing companies written confirmation of their independence from the Company or any organisations directly or indirectly related thereto, in addition to information regarding any additional services of any kind provided to said organisations and the corresponding fees received therefrom by auditors or external auditing companies, or by persons or organisations related thereto in accordance with the provisions established in the legislation applicable to the auditing of accounts.
 - e) *In the event of the resignation of the external auditor, to examine the circumstances that gave rise to such.*
 - f) *To ensure that the remuneration of the external auditor for his or her work does not compromise the quality or independence thereof.*

- g) Oversee that the Company communicates the change of auditor as a relevant event and accompany such, where appropriate, with a declaration on the possible existence of disagreements with the outgoing auditor and of the contents thereof.*
- h) Ensure that the external auditor meets annually with the Board of Directors at a plenary session to inform as to the work carried out and the evolution of the accounting situation and Company risks.*
- i) To ensure that the Company and the external auditor comply with the standards in force on the provision of services other than auditing, the limits to the concentration of the auditor's business and the other standards governing auditor independence.*
- j) To issue, on an annual basis, prior to the issue of the Audit Report, a report expressing an opinion on the independence of the accounts auditors or auditing companies. This report must contain, in all cases, an evaluation of the provision of the additional services referred to in the previous paragraph, considered individually and as a whole, other than the legal audit, and in connection with their independent status or with the governing regulations of the audit.
- k) To inform the Board of Directors in advance on all matters provided for by the Law, the corporate bylaws and in these Regulations and, in particular, regarding the financial information that the Company must publish periodically, on the creation or acquisition of holdings in entities with a special purpose or domiciled in countries or territories considered as being tax havens and on operations with associated parties.
- l) To supervise compliance with the internal protocol for relationships between the majority shareholder and the Company and the companies of its respective groups, as well as to conduct any other actions established in the protocol itself for optimal compliance with the aforesaid duty of supervision.
- m) To provide information in relation to the transactions that involve or could involve conflicts of interest, and in general, on the matters considered in Chapter IX of these Regulations.
- n) To inform on operations of structural and corporate modifications which the Company plans to conduct, the economic conditions and the accounting impact thereof and, in particular, on the exchange ratio, where applicable.
- o) To monitor the effectiveness of the Company's internal control, the internal audit services, verifying the suitability and integrity thereof and to review the appointment and replacement of those persons responsible for the same, to supervise the suitable security and control measures for preventing the commission of criminal offences, the risk management systems, including fiscal risks, the systems for managing compliance with all applicable regulations, as well as to discuss with the accounts auditors any significant weaknesses detected in the internal control system while conducting the audit.
- p) To supervise a mechanism which allows employees to confidentially report potentially relevant irregularities detected inside the Company, especially those regarding finance and accounting, as well as those which may constitute a criminal responsibility for the Company.

The above responsibilities are stated by way of example, without prejudice to any others that may be conferred upon the Committee by the Board of Directors or which may be attributed thereto by the regulations governing the auditing of accounts.

3. The Audit and Review Committee will meet as many times as necessary for the execution of its functions and will be convened by its Chair, either on his/her own initiative or at the request of the Chair of the Board of Directors, or of two (2) members of the Committee itself.
4. The Audit and Review Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.
5. The Board will likewise determine who will hold the position of Chair from among the independent directors, who will be replaced every four (4) years, being able to be re-elected once a period of one (1) year has elapsed since his/her resignation. The Committee itself will appoint a Secretary and may also appoint a Vice-Secretary, neither needing to be members thereof.
6. Any member of the management team or company personnel will be obliged to attend the Committee's sessions and to provide them with his/her assistance and access to the information s/he has available, if so requested. The Committee can also request that the Company's auditors attend its sessions.

Article 16. The Appointments and Remuneration Committee

1. The Board of Directors will appoint from among its members an Appointments and Remuneration Committee that will comprise the number of directors determined in each case, within the minimum of three (3) members and maximum of five (5) members envisaged in the bylaws, all of whom must be non-executive members, and at least two of whom must have the status of independent directors.
2. Insofar as they are applicable and in a supplementary manner, the Board's rules of operation will apply thereto. Without prejudice to the other tasks assigned to it by the Board, the Appointments and Remuneration Committee will have at least the following basic responsibilities:
 - a) To evaluate the competencies, knowledge and experience required in the Board of Directors. To this end, it will define the duties and skills required of the candidates to fill each vacancy, and it will evaluate the time and dedication needed for them to effectively perform their duties.
 - b) To establish a target for the representation of the under-represented gender on the Board of Directors, and prepare guidance on how to obtain said target.
 - c) To submit to the Board of Directors proposals for the appointment of independent directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.
 - d) To inform on proposals for the appointment of the other directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.

- e) To inform on proposals for the appointment and dismissal of members of the senior management and the basic conditions of their contracts.
 - f) To inform, in advance, on the appointment by the Board of Directors of the Chair and, where applicable, of one (1) or more Vice-Chairs, as well as the appointments of the Secretary and, where applicable, of one (1) or more Vice-Secretaries. The same procedure shall be followed to agree on the dismissal of the Secretary and, where applicable, of each Vice-Secretary.
 - g) To examine and organise the succession of the Chair of the Board of Directors and of the Company's CEO and, if appropriate, to make proposals to the Board of Directors for such succession to occur in an orderly and well planned manner.
 - h) To propose to the Board of Directors the remuneration policy for the directors and general managers, or for those individuals who perform their senior management duties reporting directly to the Board, to executive committees or to CEOs, as well as the individual remuneration and all other contractual conditions for executive directors, ensuring compliance therewith.
 - i) To suggest to the Board which members should form part of each of the Committees.
 - j) To periodically review the remuneration programmes, considering their suitability and returns.
 - k) To propose to the Board of Directors, for submission to the General Shareholders' Meeting for an advisory vote, the drafting of an annual report on the remuneration of its directors, under the terms of article 541 of the Law on Capital Companies, already other provision which may replace the same in the future.
 - l) To consider the suggestions made to it by the Chair, Board members, company executives or shareholders.
 - m) To provide information regarding the matters referred to letters h) and i) of section 2 of Article 4 of these Regulations.
 - n) To monitor compliance with the corporate governance rules and internal codes of conduct.
 - o) To monitor the corporate social responsibility strategy and practices, and to assess the degree of compliance therewith.
3. The Appointments and Remuneration Committee will meet every time the Board or its Chair requests a report be issued or proposals adopted and, in any case, whenever it is deemed advisable for the proper execution of its duties. It will be convened by the Chair of the Committee, either on his/her own initiative or on the request of the Chair of the Board of Directors or of two (2) members of the Committee itself.
 4. The Board will appoint a Chair, from among the independent directors that form part of the Committee. The Committee itself will appoint a Secretary and may appoint a Vice-Secretary, neither needing to be members thereof nor directors.

5. The Appointments and Remuneration Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.

Chapter V. METHOD OF ADOPTING RESOLUTIONS

Article 17. Method of adopting resolutions

1. The sessions of the Board and its Committees may be held using distance communication methods, such as telephone conferencing, videoconferencing or any other similar system, if not all its members are able to attend the place established for the meeting in the notification. To this effect, the notification of the meeting, as well as stating the venue at which the physical meeting will take place, which the Secretary of the Board of Directors must attend, must mention that it can also be attended via telephonic conference, videoconference or any similar system, and must state and have available the technical resources required to this end, which in all cases must allow direct and simultaneous communication between all those present.

Those not attending the meeting physically and who use means that allow for simultaneous and reciprocal communication with the meeting venue and the other members using distance communication methods, will be considered as attending to all intents and purposes and may cast their vote via the means of communication used.

During meetings, systems for simultaneous Spanish-English and English-Spanish interpretation may be used, if so required by any of the directors.

2. Without prejudice to the above, it will also be possible to adopt resolutions without a session, when no director is opposed to the proceedings, and votes may be cast in writing or by email, provided that the identity of the director casting the vote is assured.

Chapter VI. APPOINTMENT AND RESIGNATION OF DIRECTORS

Article 18. Appointment of directors

1. Directors will be appointed by the General Meeting or by the Board of Directors, in accordance with the provisions of Royal Decree 1/2010, of 2 July, by way of which the revised text of the Law on Capital Companies is approved, or the legal text which may supersede the same.
2. The proposals for the appointment of directors submitted to the Board of Directors for deliberation at the General Meeting and the appointment decisions that the Board adopts by virtue of the powers of co-optation legally vested in it must be preceded by the corresponding proposal by the Appointments and Remuneration Committee when in relation to independent directors, and by a report in the case of all other directors.

Article 19. Appointment of external directors

The Board of Directors and the Appointments and Remuneration Committee, within the scope of their remits, will ensure that the election of candidates relates to persons of known solvency, competence and experience, being particularly rigorous in relation to those called on to fulfil the positions of independent director provided for in Article 5 of these Regulations and in the terms of the applicable good governance standards.

Article 20. Term of office

1. Directors will hold their positions for the term provided for in the corporate bylaws, and can be re-elected one or more times for said term.
2. Directors appointed by co-option hold their positions until the date of the first General Meeting. Should the vacancy arise once the General Meeting has been convened, and prior to the holding thereof, the Board of Directors may appoint a director until the following General Meeting is held. Moreover, directors appointed by the Board through co-optation need not necessarily be shareholders of the Company.

When, further to the Appointments and Remuneration Committee report, the Board of Directors learns that the interests of the Company are in jeopardy, the director ending his/her mandate or ceasing to hold his/her position for any other reason cannot provide his/her services to another entity with a similar corporate purpose to the Company and that is a competitor thereof according to the assessment of the Board of Directors, for the period established by it, which will in no case be greater than two (2) years.

Article 21. Resignation of directors

1. Directors will resign their positions when they have completed the period for which they were appointed and when decided on by the General Meeting under the powers legally or statutorily vested therein.
2. Directors will have to make their positions available to the Board of Directors and, if considered appropriate, formalise the corresponding resignation in the following cases:
 - a) When they cease to hold the executive posts linked to their appointment as a director. As regards independent directors, when they complete twelve (12) years in the position.
 - b) When they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law.
 - c) When they have been prosecuted for an allegedly criminal act or are subject to a disciplinary measure due to (gross) misconduct brought by the supervisory authorities.
 - d) When their continued membership of the Board could put the Company's interests in jeopardy and when the reasons for their appointment no longer exist. This last circumstance will be understood as occurring with regard to a director representing substantial shareholders when the full shareholding of which s/he is the owner or whose interests s/he represents have been disposed of and also when the reduction of their shareholding requires the consequent reduction of the directors representing substantial shareholders.

3. Executive directors must make their positions available to the Board once they have reached seventy years of age and the latter must decide whether they will continue exercising their executive or managerial functions or remain simply as a director.
4. *In the event that, due to resignation or for any other reason, a director were to cease in his or her office prior to the end of his or her mandate, the reasons therefor shall be explained in a letter sent to all the members of the Board. Without prejudice to the timely communication of the cessation as a relevant event, the Board will give account of the cessation in the Annual Corporate Governance Report.*
5. *The Board of Directors may only propose the cessation of an independent director before the end of the statutory period when there is just cause, as appreciated by the Board following a report by the Appointments and Remuneration Committee. In particular, just cause will be deemed to exist when the director goes on to hold new offices or undertakes new duties that prevent him or her from devoting the necessary time to the tasks inherent in the role of director, fails to perform the duties inherent to his or her office or is involved in any of the circumstances that might cause him or her to lose his or her status of independent director, in accordance with the provisions of the applicable legislation. Such removal may also be proposed as a result of public offerings of acquisition, mergers or other similar corporate transactions that entail a change in the structure of the share capital of the Company, when such changes in the structure of the Board are brought about by the criterion of proportionality.*

Chapter VII. INFORMATION FOR DIRECTORS

Article 22. Powers of information and inspection

1. The Agenda for the sessions of the Board will clearly indicate those items on which the Board of Directors must adopt a decision or resolution in order for the directors to be able to study or gather, in advance, the information required for the adoption thereof. Whenever, exceptionally, on grounds of urgency, the chair wishes to submit decisions or resolutions which do not appear in the agenda to the Board of Directors for approval, the prior, express consent of the majority of directors present will be required, which will be duly recorded in the minutes.
2. All information regarding the proposals to be presented to directors will be available to them forty-eight (48) hours in advance.
3. A director shall find him/herself invested with the widest powers to access information in relation to any aspect of the Company, to examine the books, registers, documents and other records relating to corporate operations and to inspect all its installations.
4. In order not to disturb the everyday management of the Company, the exercising of powers of information will be channelled through the Managing Director, who will deal with the director's requests, providing him/her with the information directly, offering him/her the appropriate contact people within the Company's structure or providing the means with which the desired examination and inspection proceedings can be carried out on site.

Article 23. Expert assistance

1. For assistance in the exercise of their functions, external directors may request, when there are special circumstances that make this necessary, that legal, accounting, or financial advisors or other experts be hired at the Company's expense. The assignment must necessarily deal with specific problems of a certain importance and complexity that arise during the performance of their duties.
2. The Managing Director of the Company must be informed of any decision to hire advisors or experts, which may be vetoed by the Board of Directors, if it proves:
 - a) That it is not necessary for the proper performance of the duties entrusted to the external directors.
 - b) That its cost is not reasonable in view of the scale of the problem and the Company's assets and income.
 - c) That the technical assistance requested could be adequately provided by experts and technicians from within the Company.

Chapter VIII. REMUNERATION OF DIRECTORS

Article 24. Remuneration policy for the directors

The remuneration policy for the directors will be adapted to the remuneration system established in the bylaws and will be approved by the General Shareholders' Meeting at least every three (3) years as a separate item on the agenda.

The proposal for the remuneration policy from the Board of Directors will be reasoned and must be accompanied by a specific report from the Appointments and Remuneration Committee. Both documents will be made available to the shareholders on the Company website from when the call for the General Meeting is issued, and shareholders may also request the free delivery or remittance thereof. Mention of this right must be made in the call for the General Meeting.

The remuneration policy for the directors will remain in force throughout the three (3) business years following that in which it is approved by the General Meeting. Any amendment to or replacement of the same during said period will require the prior approval of the General Shareholders' Meeting, in accordance with the procedure established for the approval thereof.

The Board of Directors will draft and publish an annual report on the remuneration of directors, which will include comprehensive, clear and understandable information on the remuneration policy applicable to the current business year, a global summary of the application of the remuneration policy during the previous business year, and a breakdown of the individual remuneration accrued for all items by each of the directors during the aforementioned business year. This report will be made available to shareholders when the Ordinary General Meeting is convened and will be put to an advisory vote during said Meeting, as a separate agenda item. Should the aforementioned annual report on the remuneration of directors be rejected in the advisory vote of the Ordinary General Meeting, the remuneration policy applicable to the following business year must be submitted for the approval of the General Meeting prior to

the application thereof, even if the aforesaid period of three(3) years has not yet elapsed. This will not apply to cases in which the remuneration policy has been approved during the same Ordinary General Meeting.

Any remuneration paid to the directors for the exercise or termination of their role and for the performance of executive functions will be in accordance with the remuneration policy for directors in force at any given moment, except any remuneration that has been expressly approved by the General Shareholders' Meeting.

Article 25. Remuneration of directors

a) General

The directors will be remunerated for exercising the duties which correspond to them by virtue of their membership to the Board of Directors, as the Company's collegiate decision-making body.

Remuneration for directors, in their capacity as such, shall take the form of a fixed annual allocation.

The maximum annual remuneration that the Company will pay to its directors as a whole for the item envisaged in the preceding paragraph will not exceed the quantity earmarked to this end by the remuneration policy approved by the General Shareholders' Meeting.

The determination of the remuneration for each director, in his/her capacity as such, will be the responsibility of the Board of Directors, which for said purposes will take into account the duties and responsibilities attributed to each director, whether they are members of Board committees, and all other objective circumstances it deems relevant.

With regard to independent directors, the Board of Directors and the Appointments and Remuneration Committee will adopt all measures within their powers to ensure that the remuneration of these directors is in line with the commitment made and offer them incentives for their commitment, but which do not constitute an obstacle to their independence.

b) Remuneration of executive directors

Directors who have been conferred executive functions in the Company, irrespective of the nature of their legal relationship with the latter, will also be entitled to receive the remuneration for the fulfilment of said functions which is provided for in the contract entered into between the director and the Company for said purpose.

The Board of Directors will determine the remuneration of the directors for the performance of executive functions and the terms and conditions of their contracts with the Company in accordance with the provisions of the applicable legislation at any given moment and in accordance with the remuneration policy for directors approved by the General Meeting, which must state (i) the fixed annual remuneration and the variation thereof during the period covered by the policy, the different parameters for establishing the variable components and (ii) the main terms and conditions of their contracts, including, in particular, their duration, compensation for early termination or the termination of the contractual relationship and exclusivity agreements, post-contractual non-competition and continuity and loyalty clauses.

Chapter IX. DUTIES OF THE DIRECTOR

Article 26. General duty of diligence

The directors will hold office and comply with the duties imposed by the Law and the corporate bylaws with due diligence, taking into account the nature of their position and the duties attributed to each one of them.

The directors must show proper dedication and will adopt the measures required for the sound management and control of the Company in the performance of their duties. *For this purpose, the directors of the Company may not sit on more than four boards of other listed companies other than the Company. For purposes of this rule, all the boards of companies that are part of the same group will be counted as a single board and the following will not be counted: (i) boards of holding companies or companies that may constitute vehicles or complements for the professional exercise of the director, his or her spouse or person with a similar sentimental relationship or their closest family members, (ii) boards on which the director sits as a proprietary director at the proposal of the Company or any company pertaining to its group, and (iii) the boards of companies whose purpose is complementary or accessory to another activity that, for the Company director may entail an activity related to leisure, assistance or aid to third parties or of any other kind that does not imply true dedication to a commercial business.*

In exercising their functions, directors will have the duty to demand and the right to receive from the Company the suitable and necessary information required to fulfil their duties.

Due diligence shall be understood to have been met in the setting of strategic and business decisions, subject to business judgement, when the director has acted in good faith, without personal interest in the matter under consideration, with sufficient information and in accordance with a suitable decision-making procedure.

The area of business discretion shall not be understood to include those decisions which personally affect the directors and related persons and, in particular, those intended to authorise the operations provided for in article 230 of the Law on Capital Companies.

Article 27. Duty of loyalty

The directors must perform their duties with the loyalty of a faithful representative, acting in good faith and in the best interests of the Company.

Specifically, the duty of loyalty obliges directors to:

- a) Refrain from exercising their powers for purposes other than those for which they have been granted.
- b) Keep information, data, reports or records to which they have been afforded access in the performance of the duties secret, including when they have left their posts, except in those cases permitted or required by the law. In the event of the position of director being filled by a legal entity, the duty of confidentiality will also be applicable to the representative thereof.

- c) Refrain from participating in the deliberation and voting on resolutions or decisions in which the director or a related person has a direct or indirect conflict of interests. The aforesaid obligation of abstention shall not include those resolutions or decisions which affect them as directors, such as their appointment or revocation for positions in the management body, or others of a similar nature.
- d) Perform their duties under the principle of personal responsibility with freedom of criteria or judgement and independence as regards instructions from and relationships with third parties.
- e) Take all necessary measures to avoid situations in which his/her interests, on his or her own account or on behalf of third parties, may conflict with corporate interests and with his/her duties toward the Company. An exception is made for those cases in which the Company has issued its consent under the terms set forth in article 230 of the Law on Capital Companies.

Any infringement of the duty of loyalty will result not only in the obligation of redressing any damages caused to corporate assets, but also that of returning to the Company any unjust enrichment obtained by the director.

Article 28. Duty to avoid conflict-of-interest situations

1. Directors must advise the Board of Directors of any direct or indirect conflict that s/he or persons related thereto might have with the Company's interest. The director concerned will refrain from taking part in resolutions or decisions related to the operation to which the conflict refers.

The votes of the directors affected by the conflict and who must abstain, will be deducted for the purposes of calculating the majority of votes needed.

2. Specifically, the duty to avoid conflicts of interest obliges directors to refrain from:
 - a) Conducting transactions with the Company, except in the case of ordinary operations, conducted under standard conditions for customers, and with scant relevance, these being understood to be those whose information is not required to express a true image of the property, financial situation and results of the Company.
 - b) Using the name of the Company or invoking their condition as directors to unduly influence the conduct of private transactions.
 - c) Making use of corporate assets, including confidential information on the Company, for private purposes.
 - d) Taking advantage of the Company's business opportunities.
 - e) Obtaining advantages or remuneration from third parties other than the Company and its group, associated to the performance of their duties, except when these are in the interests of mere courtesy.
 - f) Conducting activities on their own account or on behalf of third parties which involve real or potential effective competition with the Company or which, in any other way, may place them in permanent conflict with the interests of the Company.

3. The foregoing provisions will also be applicable in the event that the beneficiary of the prohibited acts or activities is a person related to the director.
4. Under all circumstances, any conflict-of-interest situations in which directors find themselves will be disclosed in the Annual Review.
5. The company may relax the provisions established in this article in specific cases, by authorising the conduct of a determined transaction with the Company, the use of certain corporate assets, the seizing of a specific business opportunity or the securing of an advantage or remuneration from a third party by a director or a related person.
6. Whenever the subject of the authorisation is the relaxing of the prohibition on obtaining an advantage or remuneration from third parties, or when the exemption affects a transaction whose value is in excess of ten percent (10%) of the corporate assets, authorisation must necessarily be agreed on by the General Meeting.
7. In all other cases, the authorisation may also be issued by the Board of Directors, provided the independence of the members granting said authorisation with regard to the exempted director is guaranteed. Moreover, it will be necessary to ensure that the authorised operation will not harm the corporate assets or, where applicable, guarantee the conduct thereof under market conditions and the transparency of the process.
8. The non-compete obligation with the Company may only be exempted in the event that no damage to the Company can be foreseen, or that the Company can expect to be compensated through the benefits it is assumed will be obtained through the exemption. The exemption shall be issued by means of an express, separate resolution of the General Meeting. In all cases, at the request of any partner, the General Meeting will rule on the dismissal of any director who conducts competitive activities when the risk of damage to the Company has become relevant.

Article 29. Liability of the directors

The directors shall be liable towards the Company, its partners or shareholders and creditors for any damage caused by their acts or omissions where contrary to law or the corporate bylaws or by any performed or omitted in breach of the duties inherent to their position, in the event of negligence or bad faith.

Under no circumstances shall the adoption, authorisation or ratification of the act in question by the General Meeting release them from their liability.

The natural person appointed for the permanent exercising of the duties inherent to the position of a legal entity director must satisfy the requirements established for directors, will be subject to the same duties, and will be jointly and severally liable with the legal entity director.

Article 30. Non-public Information

1. A director may not use the Company's non-public information for his/her own benefit, either directly or by providing it to third parties.
2. Without prejudice to the foregoing, a director must observe the rules of conduct established in stock market legislation and, in particular, the contents of the Company's Internal Rules of Conduct.
3. Under all circumstances, directors must refrain from carrying out or suggesting to anyone that they carry out an operation involving stock belonging to the Company itself or to its subsidiaries, associated or related companies, when, due to their position, they are aware of non-public information about said operations.

Article 31. Director's duty of disclosure

1. A director must inform the Company of the shares that s/he holds therein, either directly or through companies in which s/he has a controlling share. Likewise, s/he must disclose any others that are in the direct or indirect possession of persons related to him/her.
2. The directors must disclose the share they had in the capital of any company with the same, similar or complementary type of activity to that of the corporate purpose, and the responsibilities or functions that they exercise therein; as well as the performance on their own account or on behalf of a third party of any type of activity that is the same, similar or complementary to that of the corporate purpose. Said information will be included in the Review. This duty of disclosure does not include those shares, positions, duties or activities in companies in the group to which the Company belongs.
3. A director must also inform the Company of all the positions s/he holds and the activities s/he carries out in other companies or entities and, in general, of any fact or situation that could prove to be relevant to his/her role as a company director, unless the same are held or carried out in other companies of the group to which the Company belongs.
4. A director must inform the Company of any circumstances concerning him/her that could affect the credit or reputation of the Company, in particular, of criminal proceedings in which they appear as the accused and of their major procedural mishaps. The Board may, after examining the situation presented to them, require the Director to resign and the director must comply with this decision.

Article 32. Related persons

1. For the purposes of the provisions of the foregoing articles, persons related to the directors will be understood to be:
 - a) The director's spouse or persons with a similar personal relationship.
 - b) The ascendants, descendants and siblings of the director or the director's spouse.
 - c) The spouses of the ascendants, descendants and siblings of the director.
 - d) The companies in which the director, for him/herself or for a third party, is found to be in any of the situations of subordination or coordination provided for in the general provisions applicable to groups of companies.
2. With respect to directors that are legal entities, related persons are understood to be:
 - a) Those shareholders who, with regard to the legal entity director, are found to be in any of the situations of subordination or coordination provided for in the general provisions applicable to groups of companies.
 - b) Directors, whether ipso jure or de facto, liquidators and those holding general powers of attorney for the director that is a legal entity.
 - c) Companies that form part of the same group and their shareholders.
 - d) Persons who, with regard to the director that is a legal entity, are considered to be persons related to the directors under the provisions of the foregoing paragraph.

Article 33. Transactions with significant shareholders

1. The Board of Directors formally reserves the right to know about any important transaction by the Company with a significant shareholder.
2. With regard to ordinary transactions, the general authorisation for the line of operations and their conditions of execution will suffice.
3. The company's Annual Corporate Governance Report will include information on these transactions.

Article 34. Transactions with directors

For operations that directors or anyone acting on their behalf carried out during the financial year to which the annual accounts refer, with the Company or with a company in the same group, information will be included in the Company's Annual Corporate Governance Report in all cases, and in the Company's Review when the operations are outside the Company's ordinary course of business or are not carried out under normal market conditions.

Article 35. Civil liability insurance

The company may take out a civil liability insurance policy for its directors under the usual conditions and which are in line with the circumstances of the Company itself.

Chapter X. BOARD RELATIONSHIPS

Article 36. Relationships with shareholders

1. The Board of Directors will provide suitable channels to find out the suggestions that shareholders may make in relation to the management of the Company.
2. The Board, via one of its directors and with the assistance of the members of the senior management deemed to be appropriate, may organise informative meetings on the running of the Company, for the shareholders that reside in the most relevant financial centres.
3. Public requests for voting by proxy made by the Board of Directors or by any of its members must indicate in detail the way in which the representative will vote if the shareholder does not give instructions and, where appropriate, reveal the existence of conflicts of interest.

The director obtaining the proxy will not be able to exercise the voting right corresponding to the shares represented in those agenda items in which s/he finds him/herself with a conflict of interest and, in any event, with regard to the following deliberations:

- a) His/her appointment or ratification as a director.
- b) His/her removal, dismissal or resignation as a director.
- c) The exercise of a corporate liability action against him/herself.
- d) The approval or ratification, where appropriate, of company operations with the director concerned, companies controlled by him/her or those that s/he represents or persons acting on his/her behalf.

The proxy may also include those items that, although not included on the agenda in the convocation, are dealt with in the Meeting, as duly permitted by Law, with the provisions of the previous paragraph of this article also being applied in these cases.

The Board of Directors will promote the informed participation of the shareholders at the General Meetings and will adopt whatever methods are appropriate to ensure that the General Shareholders' Meeting efficiently performs the functions inherent to it in accordance with the law, the corporate bylaws and the General Meeting Regulations.

Article 37. Relationships with institutional shareholders

1. The Board of Directors will also establish suitable mechanisms for the regular exchange of information with institutional investors that form part of the Company's shareholders.
2. Under no circumstances may the relationships between the Board of Directors and the institutional shareholders translate into the provision to the latter of any information that could create a privileged situation or advantage compared to the other shareholders.

Article 38. Relationships with the markets

1. The Board of Directors will ensure the timely compliance with current instructions concerning the disclosure of relevant facts.
2. The Board of Directors will adopt the means necessary to ensure that the half-yearly and quarterly financial information and anything else prudence requires to be available to the markets, is drawn up in accordance with the same principles, criteria and professional practices as the annual accounts and that these have the same degree of reliability as the latter. For this last purpose, said information will be reviewed by the Audit and Review Committee.

Article 39. Relationships with the auditors

1. The Board's relationships with the Company's external auditors or audit companies will be channelled through the Audit and Review Committee.
2. The Board of Directors will publicly declare the overall fees paid by the Company to the auditing company for services other than auditing.
3. The Board of Directors will endeavour to prepare the accounts definitively in such a way that there is no place for reservations on the part of the auditor. Nevertheless, when the Board considers that its opinion must be upheld, it will publicly explain the content and the extent of the discrepancy.