

# REGULATIONS OF THE BOARD OF DIRECTORS

12/13/11

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## PRELIMINARY TITLE

### Article 1. Purpose

The *Regulations of the Board of Directors* (the "**Regulations**") contain the guidelines that are to govern all action taken by the Board of Directors of IBERDROLA, S.A. (the "**Company**"), the basic rules for the organization and operation thereof and the rules of conduct to be observed by its members, in order to achieve the greatest degree of transparency, effectiveness, dynamism, supervision and control in the performance of its management and supervision duties and representation of the corporate interest.

The *Regulations* further develop and supplement the legal and by-law provisions applicable to the Board of Directors of the Company and form part of the Corporate Governance System thereof. The Company's Corporate Governance System is the set of documents made up of the *By-Laws*, the *Corporate Policies*, the Internal Corporate Governance Rules, and the other internal Codes and Procedures approved by the appropriate bodies of the Company. These *Regulations* have been prepared taking into account the good governance recommendations generally recognized in international markets.

The guidelines for action and the rules for organization and operation of the management decision-making bodies existing at other companies belonging to the group whose controlling entity, within the meaning established by law, is the Company (the "**Group**") shall be governed by their respective internal regulations, if any. Such regulations shall conform to the principles set forth in these *Regulations*, without prejudice to any adjustments that may be required based on the circumstances of each company, and shall, in all cases, abide by the guarantees required by the Company's Corporate Governance System and the principles of coordination and information that must govern the relations among the management decision-making bodies of the various companies of the Group in order for them to fully comply with their respective duties.

### Article 2. Scope

1. The *Regulations* apply to the Board of Directors, the representative decision-making bodies thereof (whether collective or single-person) and its internal committees, as well as to all.
2. The persons to whom these *Regulations* apply shall have the duty to be apprised of them, to comply with them and to enforce them, for which purpose the Secretary of the Board of Directors shall provide them with a copy to be acknowledged by means of a signed receipt, include it within the directors' website, and publish it on the Company's corporate website.
3. The directors shall comply with and enforce the provisions of the Company's Corporate Governance System and shall confirm such commitment in writing upon accepting their appointment or re-election in such manner as is determined by the Secretary of the Board of Directors.

### Article 3. Dissemination

The *Regulations* shall be reported to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and filed with the Commercial Registry, pursuant to applicable rules and regulations. The current text hereof shall be available on the Company's corporate website.

### Article 4. Priority and Interpretation

1. The *Regulations* further develop and supplement applicable legal and by-law provisions, which provisions shall prevail in the event of conflict with the provisions set forth herein, and shall be interpreted in accordance with the Company's Corporate Governance System.
2. The Board of Directors shall resolve any questions or discrepancies that may arise in connection with the application or interpretation of these *Regulations*.

### Article 5. Amendment

1. The Board of Directors may, by resolution adopted by a two-thirds majority of the directors present in person or by proxy, amend these *Regulations* on its own initiative, or on the initiative of its Chairman, of one-third of the directors or of the Corporate Social Responsibility Committee, with the proposed amendment to be accompanied by a description of the reasons for and the scope of the amendment sought. The Corporate Social Responsibility Committee shall prepare a report on the proposed amendment and shall submit it to the Board of Directors, unless the proposal is made on the initiative of the Board of Directors itself.
2. Notice of the meeting of the Board of Directors called to decide upon the above-mentioned proposal shall be given not less than fifteen days in advance of such meeting, and shall be accompanied by the entire text of the proposed amendment, the description of its reasons and the report of the Corporate Social Responsibility Committee.
3. Amendments to these *Regulations* shall also be subject to the dissemination provisions set forth in Article 3 above.
4. The Board of Directors shall inform the shareholders of any amendment to the *Regulations* approved thereby at the next General Shareholders' Meeting.

## TITLE I. STRUCTURE AND POWERS

### Article 6. Structure

Management of the Company is vested in a Board of Directors, its Chairman, an executive committee called the Executive Committee (*Comisión Ejecutiva Delegada*) and, if so resolved by the Board of Directors, a Chief Executive Officer (*Consejero Delegado*).

### Article 7. Powers of the Board of Directors

1. The Board of Directors has the power to adopt resolutions regarding all matters not assigned by law or the *By-Laws* to the shareholders acting at a General Shareholders' Meeting.

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2. The Board of Directors has the widest powers and authority to manage and represent the Company. Without prejudice to the foregoing, the Board of Directors shall focus its activity, pursuant to the Company's Corporate Governance System, on the definition, supervision and monitoring of the strategies and general guidelines that must be followed by the Company and the Group, and shall entrust to the representative management decision-making bodies and to the senior managers the day-to-day management and direction as well as the dissemination, coordination and general implementation of the Group's management guidelines, acting in furtherance of the interests of each and every one of the companies forming part thereof.
3. Those powers reserved by law or the *By-Laws* for direct exercise by the Board of Directors may not be delegated.
4. The Board of Directors shall design, evaluate and continuously review the Company's Corporate Governance System.
5. The Board of Directors shall approve the *Corporate Policies*, which shall further develop the principles set forth in the *By-Laws* and other elements of the Company's Corporate Governance System and shall codify the guidelines for action by the Company and its shareholders. The *Corporate Policies* shall include those relating to corporate governance and regulatory compliance, risks, and social responsibility.
6. Within the scope of its authority relating to the general duty of supervision, organization and strategic coordination of the Group, the Board of Directors shall deal with the following matters, among others:
  - a) Define and coordinate, within legal limits, the Group's strategies and general management guidelines, entrusting to the decision-making bodies and the management of the subholding companies of the Group the duties of day-to-day management and effective guidance of each of the business subgroups.
  - b) Monitor the general development of the Group's strategies and management guidelines by the subholding companies, establishing appropriate mechanisms for the exchange of information in furtherance of the interests of the Company and of the companies belonging to the Group.
  - c) Decide on matters of strategic significance at the Group level.
  - d) Ensure, within the Group, the effective separation of the regulated activities carried out by the various companies thereof upon the terms required by applicable regulations in the markets and regions in which they operate.
  - e) Make regulations, review and decide on possible conflicts of interest, significant transactions and related-party transactions among the companies of the Group and, in particular, regarding those affecting listed subsidiaries.
  - f) Approve the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might detract from the transparency of the Group.
7. Specifically, the Board of Directors shall, acting on its own initiative or at the proposal of the appropriate internal decision-making body, deal with the matters set forth below as an example only:
  - A) In connection with the General Shareholders' Meeting:
    - a) Call the General Shareholders' Meeting.
    - b) Propose the amendment of the *By-Laws* to the shareholders at a General Shareholders' Meeting.
    - c) Propose the amendment of the *Regulations* for the General Shareholders' Meeting to the shareholders coming together thereat.
    - d) Submit to a decision by the shareholders at a General Shareholders' Meeting the transformation of the Company into a holding company, through "subsidiarization" or the assignment to dependent entities of core activities theretofore carried out by the Company, even though the Company retains full control of such entities.
    - e) Submit to a decision by the shareholders at a General Shareholders' Meeting all transactions for the acquisition or disposition of essential operating assets when they entail an actual modification of the corporate purpose.
    - f) Propose to the shareholders at a General Shareholders' Meeting the approval of transactions the effect of which is equivalent to liquidating the Company.
    - g) Carry out resolutions approved by the shareholders at a General Shareholders' Meeting and perform any duties that the shareholders have entrusted thereto.
  - B) In connection with the organization of the Board of Directors and the delegation of powers and the granting of powers of attorney:
    - a) Approve and amend these *Regulations*.
    - b) Define the structure of the general powers of attorney to be granted by the Board of Directors or by the representative management decision-making bodies.
  - C) In connection with the information to be provided by the Company:
    - a) Manage the provision of information regarding the Company to the shareholders and the markets in general in accordance with the standards of equal treatment, transparency and truthfulness.
    - b) Draw up the Company's annual financial statements, management report and proposal for the allocation of profits or losses, as well as the consolidated annual financial statements and management report and the financial information that the Company must

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periodically make public due to its status as listed company, ensuring that such documents provide a true and fair view of the assets and liabilities, the financial condition and the operating income of the Company, pursuant to applicable legal provisions.

- c) Approve the Company's *Annual Corporate Governance Report*, as well as the annual sustainability report, the *Annual Compensation Policy Report*, and any other report that the Board of Directors deems advisable in order to better inform shareholders and investors or that is required by legal provisions applicable at any time.
- D) In connection with the directors and senior managers:
- a) Designate directors to fill vacancies by interim appointment and propose to the shareholders at a General Shareholders' Meeting the appointment, ratification, re-election or removal of directors.
  - b) Designate and renew internal positions within the Board of Directors and the members of and positions on the committees established within the Board of Directors.
  - c) Set, pursuant to the *By-Laws* and within the limits established therein, the *Director Compensation Policy* and the compensation of directors. In the case of executive directors, the Board of Directors shall establish the additional compensation payable thereto for their executive duties and other basic terms and conditions to which their contracts must be subject.
  - d) Approve, upon the proposal of the Chairman of the Board of Directors or of the Chief Executive Officer, the determination and modification of the Company's organizational chart, the appointment and removal of senior managers of the Company, as well as set the compensation or indemnification, if any, payable to them in the event of removal.
- As an exception to the foregoing, based on the proposal made for such purpose by the Chairman of the Board of Directors, the Audit and Risk Supervision Committee shall, if applicable, submit to the Board of Directors a proposal supported by the corresponding report regarding the selection, appointment or removal of the Director of the Internal Audit Area.
- Senior managers shall be those managers who report directly to the Board of Directors, to the Chairman thereof or to the Chief Executive Officer of the Company and, in all cases, the Director of the Internal Audit Area, as well as any other manager that the Board of Directors regards as such.
- e) Approve the *Senior Management Compensation Policy* as well as the basic terms and conditions of the contracts with senior managers, based on the proposal made by the Chairman of the Board of Directors or by the Chief Executive Officer to the Nominating and Compensation Committee in order for the latter to prepare a report thereon and submit it to the Board of Directors.
  - f) Make regulations, review and decide on possible conflicts of interest and related-party transactions between the Company and its directors and senior managers as well as with persons related thereto.
- E) Other powers:
- a) Prepare the *Dividend Policy* and submit to the shareholders at a General Shareholders' Meeting the corresponding proposed resolutions regarding the allocation of profits or losses and other methods of shareholder compensation, as well as decide upon the payment, if any, of interim dividends.
  - b) Take note of mergers, split-offs, concentrations or overall assignments of assets and liabilities affecting any of the relevant companies of the Group.
  - c) Pass upon all public tender offers for securities issued by the Company.
  - d) Decide upon proposals submitted thereto by the Executive Committee, the Chairman of the Board of Directors, the Chief Executive Officer, the independent Director with special powers (*Consejero independiente especialmente facultado*) or the committees of the Board of Directors.
  - e) Make decisions regarding any other matter within its authority which the Board of Directors believes to be in the interests of the Company or which the *Regulations* reserve to the Board as a whole.
8. The Board of Directors shall evaluate, on an annual basis and using for such purpose the external and internal means it deems advisable in each case:
- a) Its operation and the quality of its work.
  - b) The performance of their duties by the Chairman of the Board of Directors and by the Chief Executive Officer of the Company, based on the report submitted thereto by the Nominating and Compensation Committee.
  - c) The operation of its committees, in view of the report submitted thereto by such committees. For such purpose, the Chairman of the Board of Directors shall organize and coordinate the aforementioned evaluation process with the Chairmen of the committees.
9. In connection with such matters included in this article as it may be appropriate, the Board of Directors shall act in coordination with the management decision-making bodies of the other companies forming part of the Group, acting in the common interest of all of them.

#### Article 8. Corporate Interest

1. The Board of Directors shall perform its duties in furtherance at all times of the corporate interest of the Company, which is understood as the common interest of all shareholders of an independent corporation (*sociedad anónima*) and oriented towards the accomplishment of the corporate purpose, in accordance with the provisions of applicable legislation and the Company's Corporate Governance System.

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In the performance of its duties, the Board of Directors shall pursue the corporate interest and shall act with a unity of purpose and independent judgment, affording equal treatment to all shareholders in the same situation. In addition, it shall take into consideration lawful public or private interests that converge in the conduct of any business activity, and particularly, among the interests of the various stakeholders, those of the communities and regions in which the Company operates and those of its employees. In this context, regard shall be paid to the optimization, in a sustained fashion, of the financial value of the Company and of its success in the long term as an interest common to all the shareholders, and therefore, as a standard that is to govern at all times the action taken by the Board of Directors, its representative decision-making bodies and its internal committees as well as the members thereof.

Furthermore, the Board of Directors shall ensure that in its relations with other stakeholders, the Company abides by laws and regulations, fulfills in good faith its obligations and contracts, observes the usage and good practices of the industries in which it carries out its business and complies with the social responsibility standards to which it has adhered.

2. By way of application of the above-mentioned standard, the Board of Directors shall formulate and review the business and financial strategies of the Company, and shall establish a reasonable balance between the proposals selected and the risks assumed.
3. In the area of corporate organization, the Board of Directors shall take such measures as are required to ensure:
  - a) That the Chairman of the Board of Directors, as well as the Executive Committee and the Chief Executive Officer, pursue the creation of value for the shareholders.
  - b) That the the Chairman of the Board of Directors, as well as the Executive Committee and the Chief Executive Officer, remain under the effective supervision of the Board of Directors.
  - c) That no person or small group of persons enjoys decision-making power which is not subject to checks and balances.
  - d) That the strategies for the coordination of relations between the Company and the companies which are members of the Group are established and reviewed on an ongoing basis in order to maximize benefits for all of them.

## TITLE II. COMPOSITION

### Article 9. Number of Directors

1. The Board of Directors shall be composed of a minimum of nine and a maximum of fourteen directors, who shall be appointed or ratified at the General Shareholders' Meeting, subject to applicable legal and by-law provisions.
2. The determination of the number of directors shall be the purview of the shareholders acting at the General Shareholders' Meeting, for which purpose the shareholders may establish such number either by express resolution or through the filling or non-filling of vacancies or the appointment of new directors within the minimum and maximum numbers mentioned in the *By-Laws*.
3. The Board of Directors shall submit a proposal to the shareholders at the General Shareholders' Meeting, setting forth the number of directors that, in view of the circumstances affecting the Company and taking into account the aforementioned maximum and minimum numbers, best suits good governance recommendations enjoying widespread recognition, with a view to ensuring a proper degree of representation and the effective operation of the Board and to reflecting an appropriate balance of experience and expertise, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters dealt with by the Board of Directors.
4. The foregoing shall be deemed to be without prejudice to the system of proportional representation to which the shareholders are entitled under the provisions of law.

### Article 10. Types of Directors

1. The following shall be deemed:
  - a) Executive directors: the directors who perform senior management duties or are employees of the Company or its Group.
  - b) External proprietary directors (representing a major shareholder): those directors who own a shareholding interest that is equal to or greater than that legally regarded as significant at any time, or who have been appointed owing to their status as shareholders, although their shareholding interest does not reach such amount, or whose appointment has been proposed to the Company by any of the above-mentioned shareholders.

For purposes of the definition above, it shall be deemed that a director has been proposed to the Company by a shareholder when: he has been appointed through the use of the proportional representation system; he is a director, senior manager or employee of, or a non-sporadic provider of services to, such shareholder or companies forming part of its own group; the corporate documents show that the shareholder accepts that the director has been appointed by it or represents it; or he is the spouse of, a person related by a like relationship of affection to, or a relative up to the second degree of kinship of, a significant shareholder.

- c) External independent directors: those directors who, having been appointed because of their personal and professional qualities, may carry out their duties without being conditioned by relationships with the Company, its significant shareholders or its managers.
- d) Other external directors: those directors who are not executive directors and also do not fit the description of a proprietary or independent director.

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2. The following persons may not be appointed as independent directors:
  - a) Those who have been employees or executive directors of companies that are members of the Group, unless three or five years, respectively, have passed since the end of such relationship.
  - b) Those who receive from the Company or from other companies of the Group any amount or benefit other than as director compensation, unless such amount or benefit is not significant. For purposes of this sub-section, the dividends or pension supplements received by the director because of his prior professional or employment relationship shall not be taken into account, so long as such supplements are unconditional in nature and therefore the company paying them may not suspend, modify or revoke the accrual thereof at its discretion other than on the grounds of noncompliance with obligations.
  - c) Those who are, or have been during the last three years, partners of the auditor or responsible for the auditor's report, whether in connection with the audit of the Company or of any other company within its Group during such period.
  - d) Executive directors or senior managers of another company in which an executive director or senior manager of the Company is an external director.
  - e) Those who hold, or have held during the last year, a significant business relationship with the Company or with any company within its Group, whether in their own name or as a significant shareholder, director or senior manager of an entity that holds or has held such relationship. The relationship entailed by the provision of goods or services, including those of a financial nature, and advisory or consultancy relationships shall be deemed to be business relationships.
  - f) Significant shareholders, executive directors or senior managers of an entity that receives, or has received during the last three years, significant donations from the Company or its Group. Those who are mere trustees of a foundation receiving donations shall not be deemed included in the provisions of this letter.
  - g) The spouse of, persons related by a like relationship of affection to, or relatives up to the second degree of kinship of, an executive director or senior manager of the Company.
  - h) Those who have not been proposed, whether for appointment or re-election, by the Nominating and Compensation Committee.
  - i) Those who, with respect to a significant shareholder or a shareholder represented on the Board of Directors, are subject to any of the circumstances mentioned in letters a), e), f) or g) of this sub-section. In the case of the kinship relationship mentioned in letter g), the limitation shall apply not only to the shareholder but also to the proprietary directors appointed at the proposal thereof.
3. Proprietary directors who cease to have such status as a result of the shareholder which proposed their appointment selling its interest may only be re-elected as independent directors when such shareholder has sold all of its shares of the Company and they meet the other requirements for classification as such.
4. A director who has a shareholding interest in the Company may have the status of independent director provided that he satisfies all of the conditions established in this section and, in addition, his interest is not significant in accordance with applicable legal provisions.
5. The Board of Directors shall be composed such that external directors represent a majority over executive directors.
6. The Board of Directors shall endeavor to ensure that the number of executive directors is the necessary minimum, taking into account the complexity of the Group and the percentage interest held by executive directors in the share capital of the Company, and that the number of independent directors accounts for at least one-third of the total number of directors. In addition, regarding external directors, the relation between the number of proprietary directors and the number of independent directors shall reflect, as far as possible, the ratio of the Company's voting share capital represented by proprietary directors to the rest of the share capital.
7. The status of each director shall be justified by the Board of Directors at the General Shareholders' Meeting at which the appointment thereof must be made or ratified, and shall be maintained or, if applicable, modified annually in the *Annual Corporate Governance Report* after verification by the Nominating and Compensation Committee.
8. The preceding instructions are mandatory for the Board of Directors, which shall follow them in the exercise of its powers to propose appointments or re-elections at the General Shareholders' Meeting and to make interim appointments of directors to fill vacancies, and merely constitute guidance for the shareholders at the General Shareholders' Meeting.

### **TITLE III. APPOINTMENT AND WITHDRAWAL OF DIRECTORS**

#### **Article 11. Selection of Candidates**

1. The Board of Directors, and the Nominating and Compensation Committee within its area of authority, shall endeavor to ensure that the candidates proposed to the shareholders at a General Shareholders' Meeting for appointment or re-election as directors, as well as the directors appointed directly to fill vacancies in the exercise of the power of the Board of Directors to make interim appointments, are respectable and qualified persons, widely recognized for their expertise, competence, experience, qualifications, educational background, availability and commitment to their duties. It shall also endeavor to ensure that the selection of candidates provides adequate equilibrium to the Board of Directors as a whole, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its purview.

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2. In the case of a director that is a legal entity, the individual representing it in the performance of the duties inherent in the position of director shall be subject to the same requirements mentioned in the preceding paragraph and shall also be personally subject to the incompatibilities and bound by the duties established for the director in the Company's Corporate Governance System.

#### Article 12. Appointment

1. The directors shall be appointed by the shareholders acting at the General Shareholders' Meeting pursuant to the provisions of law and the *By-Laws*.
2. The proposals for appointment and re-election of directors that the Board of Directors submits to a decision by the shareholders acting at a General Shareholders' Meeting, and the decisions made by the Board of Directors in the exercise of the legally-assigned power to make interim appointments to fill vacancies, shall be preceded by: (a) the corresponding proposal of the Nominating and Compensation Committee, in the case of independent directors, or (b) the report of the Nominating and Compensation Committee, in the case of the other directors, which report must assign the new director to one of the categories contemplated in these *Regulations*.

The proposals and reports of the Nominating and Compensation Committee shall expressly assess the candidates' respectability, capability, expertise, competence, experience, qualifications, educational background, availability and commitment to their duties.

3. When the Board of Directors deviates from the proposals and reports of the Nominating and Compensation Committee, it shall give reasons for so acting and shall record such reasons in the minutes.
4. The required support shall be provided in order for new directors to become rapidly and adequately acquainted with the Company and the Group, as well as it's the Corporate Governance System thereof, for which purpose the Company may establish guidance programs. In addition, the Company may establish, when the circumstances make it advisable, update training programs aimed at the directors.

#### Article 13. Incompatibilities

The following may not be appointed as directors or individuals representing a director that is a legal entity:

- a) Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or senior managers thereof, or such persons, if any, as are proposed by them in their capacity as shareholders.
- b) Individuals or legal entities serving as directors in more than three companies with shares trading on domestic or foreign securities exchanges.
- c) Persons who, during the two years prior to their appointment, have occupied high-level positions in the government which are incompatible with the simultaneous performance of the duties of a director of a listed company under national or autonomous community legislation, or positions of responsibility with entities regulating the energy industry, the securities markets or other industries in which the Company or the Group operates.
- d) Individuals or legal entities that are under any other circumstance of incompatibility or prohibition governed by provisions of a general nature, including those that have, in any manner, interests opposed to those of the Company or the Group.

#### Article 14. Term of Office

1. The directors shall serve in their positions for a term of four years, so long as the shareholders acting at a General Shareholders' Meeting do not resolve to remove them and they do not resign from their position.
2. Directors may be re-elected to one or more terms of four years.
3. Vacancies which occur may, pursuant to law, be filled by the Board of Directors until the next General Shareholders' Meeting, whereat the shareholders shall confirm the appointments or elect the persons who should replace directors which are not ratified, unless it decides to withdraw the vacant positions.

#### Article 15. Re-election

1. The proposals for re-election of directors that the Board of Directors resolves to submit to a decision of the shareholders at the General Shareholders' Meeting shall be subject to a process of preparation, which shall include a proposal (in the case of independent directors) or a report (in the case of the other directors) issued by the Nominating and Compensation Committee, containing an analysis of the quality of the work performed and the dedication to the position shown by the proposed directors during the preceding term of office as well as an express evaluation of the respectability, capability, expertise, competence, availability and commitment to their duties.
2. To this end, the directors sitting on the Nominating and Compensation Committee shall be evaluated by the Committee itself, which shall use the internal and external means it deems appropriate for such purpose, and each of them shall leave the meeting during the debate and voting of resolutions that may affect them.
3. The Chairman, the Vice-Chairmen, the independent Director with special powers, and, if they are directors, the Secretary and the Vice-Secretaries of the Board of Directors, who are reelected as members of the Board of Directors by the shareholders acting at a General Shareholders' Meeting, shall continue to perform the duties they previously performed within the Board of Directors without the need for a new appointment, all without prejudice to the Board of Directors' power of revocation with respect to such positions.

#### Article 16. Resignation, Removal and Withdrawal

1. The directors shall cease to hold office upon the expiration of the term of office for which they have been appointed or when it is so resolved by the shareholders at a General Shareholders' Meeting in the exercise of the powers attributed thereto.

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2. The directors shall tender their resignation to the Board of Directors and formally resign from their position in the following cases:
  - a) When, due to supervening circumstances, they are involved in any circumstance of incompatibility or prohibition governed by provisions of a general nature, the *By-Laws* or these *Regulations*.
  - b) When, as a result of any acts or conduct attributable to the director, serious damage is caused to the value or reputation of the Company or there is a risk to the Company of criminal liability.
  - c) When they cease to deserve the respectability or to have the capability, expertise, competence, availability or commitment to their duties required to be a director of the Company.
  - d) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.
  - e) When their continuance in office on the Board of Directors may, for any reason, jeopardize directly, indirectly or through their related persons (pursuant to the definition of this term set forth in these *Regulations*), the faithful and diligent performance of their duties in furtherance of the corporate interest.
  - f) When the reasons why the director was appointed cease to exist and, in particular, in the case of proprietary directors, when the shareholder or shareholders who proposed, requested or decided the appointment thereof totally or partially sell or transfer their equity interest, with the result that such equity interest ceases to be significant or sufficient to justify the appointment.
  - g) When an independent director is affected, at any time following his appointment as such, by any of the prohibitions against holding office provided for in Article 10.2 of these *Regulations*.
  - h) When the condition of the activities carried out by the director, or the companies directly or indirectly controlled by the director, or the individuals or legal entities that are shareholders or related to any of them, or the individual representing a director that is a legal entity, may compromise the director's capacity to hold office as such.
3. In any of the instances set forth in section 2 above, the Board of Directors shall request the director to resign from his position and, if applicable, shall propose his removal from office to the shareholders at the General Shareholders' Meeting.
4. By way of exception, the resignation provisions set forth in letters f) and g) above shall not apply when, after a report from the Nominating and Compensation Committee, the Board of Directors believes that there are reasons which justify the director's continuance in office, without prejudice to the effect that the new supervening circumstances may have on the classification of the director.
5. In the event that an individual representing a legal entity acting as director falls under any of the circumstances set forth in section 2 above, such individual shall be disqualified from acting as a representative thereof.
6. The Board of Directors may propose the removal of an independent director before the passage of the period provided for in the *By-Laws* only upon sufficient grounds, evaluated by the Board of Directors after a report of the Nominating and Compensation Committee. For such purposes, it shall be deemed that there are sufficient grounds in the event of noncompliance with the duties inherent in his position or when such director has subsequently become subject to any of the prohibitions set forth in section 2 of this article. Such removal may also be proposed as a consequence of public tender offers, mergers or other similar corporate transactions resulting in a significant change in the structure of the Company's share capital.

### Article 17. Duty to Abstain

The directors affected by proposals for appointment, re-election to or removal from office or admonishment shall leave the meeting during the debate and voting on the respective resolutions.

## TITLE IV. POSITIONS AND COMMITTEES

### Chapter I. Positions

#### Article 18. Chairman of the Board of Directors

1. The Chairman of the Board of Directors shall be appointed from among the directors after a report of the Nominating and Compensation Committee, and shall have the status of Chairman of the Company and of all of the decision-making bodies thereof of which he is a member, which he shall permanently represent with the broadest powers, having a duty to carry out its resolutions and the power, in urgent cases, to adopt such measures as the Chairman deems advisable in furtherance of the corporate interest.
2. The Chairman of the Board of Directors undertakes the senior management and representation of the Company and leads the Board of Directors. He exercises the following powers in addition to the powers conferred by law and the Company's Corporate Governance System:
  - a) To call and preside over meetings of the Board of Directors and the Executive Committee, setting the agenda for the meetings and directing the discussion and debate.
  - b) To preside over the General Shareholders' Meeting and direct the discussion and debate therein.
  - c) To bring to the Board of Directors those proposals which the Chairman deems appropriate for the efficient running of the Company, particularly those relating to the operation of the Board of Directors itself and other corporate decision-making bodies, as well as to propose the persons, if any, who shall hold office as Vice-Chairman or Vice-Chairmen, Chief Executive Officer, and Secretary and, if applicable, Vice-Secretary or Vice-Secretaries of the Board of Directors and on the committees of the Board of Directors.

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3. The Board of Directors may appoint one or more Honorary Chairmen of the Company.

**Article 19. Vice-Chairman or Vice-Chairmen of the Board of Directors**

1. The Board of Directors, at the proposal of its Chairman and after a report of the Nominating and Compensation Committee, may elect one or more Vice-Chairmen from among its members who shall temporarily replace the Chairman of the Board of Directors in the event of vacancy, absence, sickness or disability.
2. If there is more than one Vice-Chairman of the Board of Directors, the person replacing the Chairman of the Board of Directors shall be the Vice-Chairman that is expressly appointed for such purpose by the Board of Directors; in default of the foregoing, the Vice-Chairman having the longest length of service in office and, if equal lengths of service, the oldest; if there is no Vice-Chairman, the longest-serving director and, in case of equal lengths of service, the oldest.

**Article 20. Chief Executive Officer**

1. The Board of Directors may, acting upon a proposal of the Chairman thereof and following a report of the Nominating and Compensation Committee, and with the favorable vote of two-thirds of the directors, appoint a Chief Executive Officer, with the powers it deems appropriate and which may be delegated pursuant to the provisions of law and the *By-Laws*.
2. The Chief Executive Officer, as well as the Chairman of the Board of Directors, shall exercise the power to represent the Company.
3. In the event of a vacancy in the office, absence, sickness or disability of the Chief Executive Officer, the duties thereof shall be temporarily assumed by the Chairman of the Board of Directors, who shall immediately call the Board of Directors to hold a meeting in order to deliberate and resolve upon the appointment, if appropriate, of a new Chief Executive Officer. In the event that the same person holds office as Chairman of the Board of Directors and Chief Executive Officer, the replacement provisions set forth in Article 19 above shall apply.

**Article 21. Independent Director with Special Powers**

1. In the event that the Chairman of the Board of Directors performs executive duties, the Board of Directors shall, at the proposal of the Nominating and Compensation Committee, authorize an independent director to:
  - a) Request the Chairman of the Board of Directors to call a meeting of this body when he deems it appropriate.
  - b) Request the inclusion of matters on the agenda for the meetings of the Board of Directors as provided by Article 28 of these *Regulations*.
  - c) Coordinate and express the opinions of the external directors.
  - d) Lead the evaluation of the Chairman of the Board of Directors.
2. The removal of the independent Director with special powers requires the prior report of the Nominating and Compensation Committee.

**Article 22. Secretary, Vice-Secretary or Vice-Secretaries and Counsel to the Board of Directors**

1. At the proposal of the Chairman, and after a report of the Nominating and Compensation Committee, the Board of Directors shall appoint a Secretary and, if appropriate, one or more Vice-Secretaries, who need not be directors and who will replace the Secretary in the event of vacancy, absence, sickness or disability. The same procedure shall be used to decide the removal of the Secretary and, if applicable, of each Vice-Secretary.
2. In the event that there is more than one Vice-Secretary, the Secretary of the Board of Directors will be replaced by the appropriate Vice-Secretary in accordance with the order established at the time of appointment thereof. In the absence of a Secretary and Vice-Secretaries, the director appointed by the Board of Directors from among those attending the meeting in question shall act as such.
3. The Secretary of the Board of Directors shall coordinate the tasks of the Secretaries of the committees of the Board of Directors as to all matters relating to the Corporate Governance System of the Company and to regulatory compliance.
4. The Secretary of the Board of Directors shall have the following duties in addition to those assigned thereto by law and by the Company's Corporate Governance System:
  - a) Keep custody of the corporate documents, duly record the proceedings of meetings in the minute books, and certify the resolutions adopted and decisions made by the collective management decision-making bodies.
  - b) Ensure the formal and substantive legality of all action taken by the collective management decision-making bodies and the adherence thereof to the Company's Corporate Governance System. For such purpose, the Secretary of the Board of Directors shall take into account, among others, the orders issued by regulatory authorities, as well as their recommendations, if any.
  - c) Give advice to the Board of Directors on the assessment and continuous update of the Company's Corporate Governance System and report on new initiatives in the area of corporate governance at the domestic and international level.
  - d) Generally act as a channel in relations between the Company and the directors in connection with all matters relating to the operation of the Board of Directors, in compliance with the instructions of the Chairman thereof.
  - e) Verify, under the guidance of the Chairman of the Board of Directors, that the information provided by the Company for the adoption of resolutions by the Board of Directors is previously made available to the directors.
  - f) Channel all requests from the directors regarding the information on and documentation of those matters that fall within the purview of the Board of Directors.

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- g) Decide the information that must be included in the Company's corporate website in compliance with the obligations imposed by applicable regulations and the provisions of the Company's Corporate Governance System.
- h) Act as Secretary of the Executive Committee.
- i) Act as Secretary for the General Shareholders' Meeting.

In addition, the Secretary, and the Vice-Secretary or Vice-Secretaries, if any, of the Board of Directors shall have the duties entrusted to the directors in the *Regulations* which, because of their nature, are applicable thereto.

- 5. In order to perform his duties, the Secretary must have access to the minutes of the meetings of the committees of the Board of Directors for which is not act the Secretary.
- 6. The Board of Directors, prior report of the Nominating and Compensation Committee, shall appoint a General Secretary, who shall contribute to integration and coordination between the Company and the companies forming part of the Group; the General Secretary shall also chair the Regulatory Compliance Unit, whose purpose shall be to ensure compliance with applicable regulations and with the Company's Corporate Governance System, without prejudice to other duties for which he is responsible in accordance with the Corporate Governance System or that may be assigned thereto by the Board of Directors. The Secretary of the Board of Directors, or one of the Vice-Secretaries thereof, if applicable, may hold the position of General Secretary.
- 7. The Board of Directors, prior report of the Nominating and Compensation Committee, shall appoint a Counsel to the Board of Directors, who shall have the duties provided by applicable law. The Secretary or one of the Vice-Secretaries, if any, may perform the duties of Counsel to the Board of Directors if they are attorneys-at-law and satisfy the other requirements established by applicable law and it is so determined by the Board of Directors. Specifically, the Counsel must have access to the minutes of the meetings of the Board of Directors and its committees in order to verify that they comply with applicable regulations and with the Company's Corporate Governance System. The Counsel must comply with the directors' obligations established in these *Regulations*, which are applicable because of their nature.

### Chapter II. Committees

#### Article 23. Committees of the Board of Directors

- 1. The Board of Directors shall create and maintain, as a part thereof and on a permanent basis, an Executive Committee, with the composition and duties described in these *Regulations*.
- 2. The Board of Directors shall also create an Audit and Risk Supervision Committee, a Nominating and Compensation Committee and a Corporate Social Responsibility Committee. Such committees shall have the composition and duties described in these *Regulations* and in the specific regulations thereof.
- 3. The Board of Directors may also create other committees or commissions of purely internal scope, with such powers as are determined by the Board of Directors. The Chairman and the other members of such committees and commissions, as well as the Secretary thereof, shall be appointed by a majority of the Board of Directors.
- 4. The committees shall be governed by their own rules and regulations, if any, which shall be approved by the Board of Directors, and in the alternative and to the extent not inconsistent with their nature, by the provisions of these *Regulations* governing the operation of the Board of Directors and, specifically, those governing the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, holding of meetings and system for adopting resolutions, casting of votes in writing and without a meeting and approval of the minutes of meetings.

#### Article 24. Executive Committee

- 1. The Executive Committee shall have all of the powers of the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions.
- 2. The Executive Committee shall be made up of the number of directors decided by the Board of Directors upon a proposal of the Nominating and Compensation Committee, with a minimum of five and a maximum of eight directors.
- 3. The appointment of the members of the Executive Committee and the delegation of powers in their favor shall be made by the Board of Directors with the favorable vote of two-thirds of the directors. Renewals shall occur at the times, in the manner and in the number determined by the Board of Directors.
- 4. The Chairman of the Board of Directors, the Vice-Chairman or Vice-Chairmen of the Board of Directors and the Chief Executive Officer shall in any case form part of the Executive Committee.
- 5. Meetings of the Executive Committee shall be chaired by the Chairman of the Board of Directors and, in the absence thereof, by one of the Vice-Chairmen pursuant to the order set forth in Article 19.2 above. The Secretary of the Board of Directors and, in the absence thereof, any of the Vice-Secretaries thereof, and in the absence of all of them, the director appointed by the Executive Committee from among the members in attendance, shall act as Secretary.
- 6. The Company shall endeavor to ensure that, to the extent possible, the structure of participation of the various categories of directors in the makeup of the Executive Committee, excluding executive directors, is similar to that of the Board of Directors.

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7. The directors sitting on the Executive Committee shall continue to hold office for so long as they remain directors, and their renewal as directors sitting on the Executive Committee shall occur at the same time as their re-election as directors and without prejudice to the Board of Directors' power of revocation.
8. The Executive Committee shall meet as many times as deemed appropriate by the Chairman thereof and at least twenty times per year. It shall also meet when so requested by a minimum of two of the directors sitting on the Committee. The Executive Committee may adopt resolutions on any matter within the purview of the Board of Directors which, in the opinion of the Executive Committee itself, should be resolved without delay, except only for such matters as may not be delegated pursuant to law or the *By-Laws*.
9. Resolutions of the Executive Committee shall be adopted by a majority of its members who are present at the meeting in person or by proxy. In the event of a tie, the Chairman of the Executive Committee shall have the tie-breaking vote.
10. The Chairman of the Executive Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the Committee, of the matters dealt with and the resolutions adopted by the Committee during its meetings.

#### Article 25. Audit and Risk Supervision Committee

1. The Board of Directors shall create a permanent Audit and Risk Supervision Committee, an internal informational and consultative body without executive powers, which shall have information, advisory and proposal-making powers within its scope of action.
2. The Audit and Risk Supervision Committee shall be made up of a minimum of three and a maximum of five directors appointed by the Board of Directors, at the proposal of the Nominating and Compensation Committee, from among external directors who are not members of the Executive Committee. The majority of such directors shall be independent, and at least one of them shall be appointed by taking into account the director's experience and expertise in accounting, audit and risk management matters.
3. The Board of Directors shall appoint the Chairman of the Audit and Risk Supervision Committee from among the independent directors sitting thereon, and the Secretary of the Committee, who need not be a director and who, in any event, must comply with the directors' obligations established in these *Regulations*, which are applicable because of their nature.
4. Without prejudice to the provisions of paragraph 2 above, the Board of Directors shall endeavor to ensure that the members of the Audit and Risk Supervision Committee and, in particular, the Chairman thereof, have such expertise, qualifications and experience in accounting, audit or risk management matters as are required by the duties they are called upon to perform.
5. Members of the Audit and Risk Supervision Committee shall be appointed for a maximum term of three years and may be re-elected on one or more occasions for maximum terms of the same duration.
6. The Chairman of the Audit and Risk Supervision Committee shall hold office for a maximum period of three years, upon the expiration of which he shall not be eligible for re-election until at least one year has passed since he vacated office, without prejudice to his continuing to serve or being re-elected as member of the Committee.
7. The Audit and Risk Supervision Committee shall have the powers set forth in the *Regulations* thereof, and in any event the following powers to:
  - a) Conduct a periodic review of the *Risk Policies* and propose the amendment and update thereof to the Board of Directors.
  - b) Approve the *Auditor Hiring Policy*.
  - c) Report to the shareholders at the General Shareholders' Meeting regarding questions raised therein by shareholders on matters within its area of authority.
  - d) Monitor the effectiveness of internal control at the Company and within its Group, as well as of their risk management systems.
  - e) Analyze, together with the auditors, significant weaknesses detected in the Internal Control System during the conduct of the audit.
  - f) Supervise the process for preparing and submitting regulated financial information.
  - g) Propose the appointment of the auditors to the Board of Directors for submission thereof to the shareholders at the General Shareholders' Meeting, pursuant to applicable law.
  - h) Supervise the activities of the Internal Audit Area, which shall functionally report to the Audit and Risk Supervision Committee
  - i) Establish appropriate relationships with the auditors in order to receive information regarding matters that could put their independence at risk, for review thereof by the Audit and Risk Supervision Committee, as well as regarding any other matters relating to the conduct of audits, and all other communications provided for in legislation governing the audit of financial statements and in auditing regulations.  
In any event, it shall receive from the auditors, on an annual basis, a written confirmation of their independence in respect of the Company or entities directly or indirectly related thereto, as well as information regarding additional services of any kind provided to such entities by the said auditors or by persons or entities related thereto, pursuant to the legislation governing the audit of financial statements.
  - j) Issue, on an annual basis and prior to the issuance of the auditors' report, a report setting forth an opinion on the independence of the auditors. This report shall, in all cases, pass upon the provision of the additional services referred to in the preceding paragraph.
  - k) Report in advance to the Board of Directors regarding the financial information that the Company must disclose on a regular basis because of its status as a listed company; the Committee shall make sure that the interim financial statements are prepared in accordance with the same accounting standards as the annual financial statements and, for such purpose, it shall consider the appropriateness of a limited review by the auditor.

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- l) Report to the Board of Directors, prior to the adoption by it of the corresponding decision, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might detract from the transparency of the Group.
  - m) Issue such other reports or carry out such other activities as may fall within its purview pursuant to the Company's Corporate Governance System or as may be requested by the Board of Directors or the Chairman thereof.
8. The Audit and Risk Supervision Committee shall meet as many times as the Chairman thereof deems is necessary to perform the duties entrusted thereto. It shall also meet when so requested by at least two of its members. The Chairman of the Board of Directors and the Chief Executive Officer may request informational meetings of the Audit and Risk Supervision Committee on an exceptional basis.
  9. A valid quorum for meetings of the Audit and Risk Supervision Committee shall be established with the attendance, in person or by proxy, of a majority of its members, and its resolutions shall be adopted by majority vote. In the event of a tie, the Chairman of the Audit and Risk Supervision Committee shall have the tie-breaking vote.
  10. At the request of the Chairman of the Audit and Risk Supervision Committee, addressed for such purpose to the Chairman of the Board of Directors, any director may be asked to attend the meetings thereof. The Chairman of the Committee may also request, through the Secretary of the Board of Directors and without prejudice to the provisions of the *Regulations of the Audit and Risk Supervision Committee*, the attendance of any director, manager or employee of the Company and of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto.  
  
The Audit and Risk Supervision Committee may also seek, at the expense of the Company, the cooperation or advice of outside professionals, who shall address their reports directly to the Chairman of the Committee.
  11. The Audit and Risk Supervision Committee may also request the presence of the auditors at its meetings.
  12. The Chairman of the Audit and Risk Supervision Committee shall report to the Board of Directors on the business considered and the resolutions adopted at the meetings thereof at the first meeting of the Board of Directors following those of the committee. Within three months following the close of each fiscal year, the Audit and Risk Supervision Committee shall also submit to the Board of Directors for approval a report detailing its work for the prior fiscal year, which shall subsequently be made available to the shareholders on occasion of the call to the Ordinary General Shareholders' Meeting.
  13. The Board of Directors shall further develop the preceding rules in the respective *Regulations of the Audit and Risk Supervision Committee*, always favoring independence in the operation thereof.

**Article 26. Nominating and Compensation Committee**

1. The Board of Directors shall create a permanent Nominating and Compensation Committee, which shall be an internal informational and consultative body without executive powers, and which shall have information, advisory and proposal-making powers within its scope of action.
2. The Nominating and Compensation Committee shall be made up of a minimum of three and a maximum of five directors appointed by the Board of Directors from among external directors, and the majority of the members thereof must be independent directors.
3. The Board of Directors shall appoint the Chairman of the Nominating and Compensation Committee from among the independent directors sitting thereon, and the Secretary of the Committee, who need not be a director and who, in any event, must comply with the directors' obligations established in these *Regulations*, which are applicable because of their nature.
4. The Board of Directors shall endeavor to ensure that the members of the Nominating and Compensation Committee have the expertise, qualifications and experience required by the duties they are called upon to perform.
5. Members of the Nominating and Compensation Committee shall be appointed for a maximum term of three years, and may be re-elected for terms of the same maximum duration.
6. The Nominating and Compensation Committee shall have the powers set forth in the *Regulations* thereof, and in any event the following powers to:
  - a) Conduct a periodic review of the *Director Compensation Policy* and the *Senior Management Compensation Policy* and propose the amendment and update thereof to the Board of Directors.
  - b) Report on and review the criteria that should be followed in composing the Board of Directors and in selecting candidates, defining their duties and necessary qualifications and assessing the time and dedication required for the proper performance of their work. In the exercise of this power, the Nominating and Compensation Committee shall take into account, regarding external directors, the relation between the number of proprietary directors and the number of independent directors, such that this relation reflects, as far as possible, the ratio of the Company's voting share capital (pursuant to the provisions of the *By-Laws*) represented by proprietary directors to the rest of the share capital.
  - c) Supervise the procedure for selecting candidates to serve as members of the Board of Directors and as senior managers of the Company.
  - d) Ensure that when new vacancies are filled or new directors are appointed, the selection procedures are free from any implied bias entailing any kind of discrimination and, in particular, from any bias that may hinder the selection of women directors.

- e) Bring proposals to the Board of Directors for the appointment of independent directors (for interim appointment to fill a vacancy or for submission of such proposals to a decision by the shareholders at the General Shareholders' Meeting), as well as proposals for the re-election or removal of such directors by the shareholders at the General Shareholders' Meeting and report on the proposals of removal of such directors issued by the Board of Directors.
  - f) Report on the proposals for appointment of the other directors (for the interim appointment thereof to fill a vacancy or for the submission of such proposals to a decision by the shareholders at the General Shareholders' Meeting), as well as the proposals for re-election or removal of such directors by the shareholders at the General Shareholders' Meeting.
  - g) Report on and make proposals of appointment to internal positions on the Board of Directors and on proposals relating to the appointment of the members that must make up each of the committees, verifying and confirming compliance with the requirements of expertise and experience in connection with the duties of the committee in question and, in particular, those of the Audit and Risk Supervision Committee.
  - h) Establish and supervise an annual program for continuous evaluation and review of the qualifications, educational background and, if applicable, independence, as well as of ongoing compliance with the requirements of respectability, capability, expertise, competence, availability and commitment to the position that must be satisfied in order to serve as director and as a member of a committee, and propose to the Board of Directors such measures as it deems advisable in this regard, while collecting any information or documentation that it deems necessary or appropriate for such purposes.
  - i) Examine or organize the succession of the Chairman of the Board of Directors and of the Chief Executive Officer of the Company and, if applicable, make proposals to the Board of Directors for such succession to occur in an orderly and well-planned fashion.
  - j) Propose to the Board of Directors the system and amount of annual director compensation, as well as the individual compensation of executive directors and other basic terms and conditions of their contracts, including any severance payments or compensation, in any event pursuant to the provisions of the Company's Corporate Governance System.
  - k) Report proposals of the Chairman of the Board of Directors or of the Chief Executive Officer regarding the appointment or removal of the senior managers.
  - l) Report on and submit to the Board of Directors the proposals made by the Chairman of the Board of Directors or the Chief Executive Officer relating to the structure of the compensation payable to senior managers and to the basic terms and conditions of their contracts, including possible compensation that may be provided in the event of removal.
  - m) Report on incentive plans and pension supplements for the Group's entire payroll.
  - n) Conduct a periodic review of the general compensation programs for the Group's payroll, evaluating the adequacy and results thereof.
  - o) Ensure compliance with the compensation programs of the Company and report on the documents to be approved by the Board of Directors for general dissemination regarding information on compensation, including the annual *Directors Compensation Policy Report* and the applicable sections of the Company's *Annual Corporate Governance Report*.
  - p) Become familiar with and report, if applicable, to the Board of Directors regarding the selection, appointment and compensation of the directors and senior managers of the main companies within the Group and affiliates thereof, without prejudice to respect for the independence and uniqueness (upon the terms set forth in applicable legal provision) of those that are listed companies and have corporate governance rules that assign such powers to their own nominating and compensation committee or equivalent body.
  - q) Issue such other reports or carry out such other activities as may fall within its purview pursuant to the Company's Corporate Governance System or as may be requested by the Board of Directors or the Chairman thereof.
7. The Nominating and Compensation Committee shall meet as many times as the Chairman thereof deems is necessary to perform the duties entrusted thereto. It shall also meet when so requested by at least two of its members. The Chairman of the Board of Directors and the Chief Executive Officer may request informational meetings of the Nominating and Compensation Committee on an exceptional basis.
8. A valid quorum for meetings of the Nominating and Compensation Committee shall be established with the attendance, in person or by proxy, of a majority of its members, and resolutions shall be adopted by majority vote. In the event of a tie, the Chairman of the Nominating and Compensation Committee shall have the tie-breaking vote.
9. At the request of the Chairman of the Nominating and Compensation Committee, addressed for such purpose to the Chairman of the Board of Directors, any director may be requested to attend the meetings thereof. The Chairman of the Committee may also request, through the Secretary of the Board of Directors, the attendance of any administrator, manager or employee of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto.
- The Nominating and Compensation Committee may also seek, at the expense of the Company, the cooperation or advice of outside professionals, who shall address their reports directly to the Chairman of the Committee.
10. The Chairman of the Nominating and Compensation Committee shall report to the Board of Directors on the matters dealt with and the resolutions adopted at its meetings at the next meeting held by the Board of Directors following the Committee meetings. In addition, within three months following the close of each fiscal year, the Nominating and Compensation Committee shall submit to the Board of Directors for approval a report detailing its work for the prior fiscal year.

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11. The Board of Directors shall further develop the preceding rules in the respective *Regulations of the Nominating and Compensation Committee*.

#### Article 27. Corporate Social Responsibility Committee

1. The Board of Directors shall establish a Corporate Social Responsibility Committee, a permanent internal informational and consultative body without executive powers, which shall have information, advisory and proposal-making powers within its scope of action.
2. The Corporate Social Responsibility Committee shall be made up of a minimum of three and a maximum of five directors appointed by the Board of Directors, at the proposal of the Nominating and Compensation Committee, from among external directors, and the majority of the directors thereof shall be independent.
3. The Board of Directors shall appoint a Chairman of the Committee from among the directors sitting thereon, and a Secretary, who need not be a director and who, in any event, must comply with the directors' obligations established in these *Regulations*, which are applicable because of their nature.
4. The Board of Directors shall endeavor to ensure that the directors sitting on the Corporate Social Responsibility Committee have the expertise, skills and experience required by the duties they are called upon to perform.
5. The members of the Corporate Social Responsibility Committee shall be appointed for a maximum term of three years and may be re-elected on one or more occasions for terms of the same maximum duration.
6. The Corporate Social Responsibility Committee shall have the powers set forth in the Regulations thereof, and in any event shall have the following powers:
  - a) Periodically review the Company's Corporate Governance System, with special emphasis on the *Corporate Governance and Compliance Policies*, and propose to the Board of Directors, for approval or submission to the shareholders at the General Shareholders' Meeting, such amendments and updates as contribute to its development and ongoing improvement.
  - b) Promote the Company's corporate governance strategy.
  - c) Supervise compliance with statutory requirements and with the rules and regulations of the Company's Corporate Governance System.
  - d) Know, promote, guide and supervise the Company's actions relating to corporate social responsibility and sustainability and report thereon to the Board of Directors and to the Executive Committee, as the case may be.
  - e) Assess and review the Company's plans implementing the *Social Responsibility Policies* and monitor the degree of compliance therewith.
  - f) Channel the Groups relations with Fundación Iberdrola, which shall implement the corporate social responsibility strategy to the extent in keeping with the purposes of the foundation and assigned thereto by the Board of Directors.
  - g) Know, promote guide and supervise the Company's actions relating to corporate reputation and report thereon to the Board of Directors and to the Executive Committee, as appropriate.
  - h) Report on the Company's *Annual Corporate Governance Report* prior to the approval thereof, collecting for such purpose the reports of the Audit and Risk Supervision Committee and the Nominating and Compensation Committee with respect to the sections of such report that are within its powers, and the annual sustainability report.
  - i) Issue its prior opinion on the reports on the separation of activities and regulated activities issued by the various companies of the Iberdrola Group and, especially, the annual report prepared by the companies of the Group carrying on regulated activities, in accordance with the provisions of the *Code for the Separation of Activities of the Companies of the Iberdrola Group Carrying Out Regulated Activities in Spain*, for submission to the Board of Directors.
  - j) Report on proposed amendments of the *Code of Ethics*.
  - k) Issue such other reports and take such other actions as are incumbent upon it under the Company's Corporate Governance System or that it may be requested to issue or take by the Board of Directors or its Chairman.
7. The Corporate Social Responsibility Committee shall meet as many times as the Chairman deems is necessary to fulfill the duties entrusted thereto. The Committee shall also meet when so requested by at least two of its members. The Chairman of the Board of Directors and the Chief Executive Officer may request informational meetings with the Corporate Social Responsibility Committee on an exceptional basis.
8. A valid quorum for meetings of the Corporate Social Responsibility Committee shall be established with the attendance, in person or by proxy, of a majority of its members, and resolutions shall be adopted by majority vote. In the event of a tie, the Chairman of the Corporate Social Responsibility Committee shall have the tie-breaking vote.
9. At the request of the Chairman of the Corporate Social Responsibility Committee addressed to the Chairman of the Board of Directors, any director may be asked to attend its meetings. The Chairman of the Committee may also, through the Secretary of the Board of Directors, request the attendance of any administrator, manager or employee of the Group, any member of the management decision-making bodies of the companies forming part of the Group whose appointment has been proposed by the Company, and of any administrator, manager or employee of Fundación Iberdrola, provided there is no legal impediment thereto.

The Corporate Social Responsibility Committee may also, at the Company's expense, obtain cooperation or advice from outside professionals, who shall submit their reports directly to the Chairman of the Committee.

10. The Chairman of the Corporate Social Responsibility Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the Committee, of the matters dealt with and the resolutions adopted at the Committee meetings. In addition, within three months following the end of each fiscal year, the Corporate Social Responsibility Committee shall submit to the Board of Directors for approval a report on its activities during the prior fiscal year.
11. The Board of Directors shall further develop the preceding rules in the respective *Regulations of the Corporate Social Responsibility Committee*.

## TITLE V. OPERATION

### Article 28. Meetings

1. The Board of Directors shall meet with the frequency that the Chairman thereof deems appropriate, but at least eleven times a year.
2. Prior to the commencement of each fiscal year, the Board of Directors shall set a schedule for its ordinary meetings. Such schedule may be modified by a resolution adopted by the Board of Directors or upon a decision made by the Chairman, who shall report the modification to the directors not less than five days in advance of the date originally set for the meeting or of the new date set in lieu thereof, if earlier.
3. The Board of Directors shall also meet when the Chairman resolves to call an extraordinary meeting thereof or when such extraordinary meeting is requested of it by one-fourth of the directors or by a Vice-Chairman or by the director, if any, entitled thereto pursuant to the provisions of Article 21 above, without prejudice to the provisions of Article 34.2 of these Regulations. In the three last-mentioned cases, the Chairman of the Board of Directors shall call the meeting within ten days of receipt of the request.
4. The call to meeting of the Board of Directors shall be carried out by the Secretary of the Board of Directors or whoever acts in his stead, with the authorization of the Chairman of the Board of Directors. The call to meeting shall be made by any means allowing for receipt thereof. Notice of the call shall be given as much in advance as is necessary for the directors to have access thereto not later than the third day prior to the date of the meeting, except in the case of urgent meetings. Together with the call to meeting, which shall always, in the absence of well-founded reasons, include the agenda for the meeting, any information that is deemed necessary shall be sent or made available through the directors' website. The meetings of the Board of Directors may be cancelled, suspended or the date, agenda or place thereof changed using the same procedure.  
One-third of the directors may also call a meeting, establishing the agenda thereof, in order for the meeting to be held at the place where the registered office is located, if a prior petition has been submitted to the Chairman of the Board of Directors and he has failed, without well-founded reasons, to call the meeting within one month.
5. Without prejudice to the foregoing, extraordinary and urgent meetings of the Board of Directors may be called when the Chairman of the Board of Directors deems it justified in the circumstances, by any means allowing for receipt of the call to meeting, and the requirements and formalities for the call to meetings mentioned in the preceding paragraphs of this article shall not apply in such case.
6. The Chairman of the Board of Directors shall decide on the agenda for the meeting. Any director may submit a request to the Chairman of the Board of Directors for the inclusion of matters in the agenda and the latter shall be required to include them when such request has been made not less than two days in advance of the date set for the meeting.
7. Without prejudice to the foregoing, the Board of Directors shall be deemed to have validly met without the need for a call if all of the directors are present and unanimously agree to hold the meeting and to the items of the agenda to be dealt with.
8. Voting by the Board of Directors may occur in writing without a meeting provided no director is opposed thereto. In this instance, the directors may deliver to the Secretary of the Board of Directors, who shall act on behalf of the Chairman, their votes and the considerations they wish to appear in the minutes, using the same methods mentioned in paragraph 4 above. Resolutions adopted by this procedure shall be recorded in minutes prepared pursuant to the provisions of law.

### Article 29. Place of Meetings

1. Meetings of the Board of Directors shall be held at the registered office of the Company, or at such other place as is designated in the call to meeting.
2. Meetings of the Board of Directors may be held in several places connected to each other by a system which permits the recognition and identification of the attendees, permanent communication among the attendees regardless of their location, and participation in discussion and the casting of votes, all in real time (including videoconference or remote attendance systems or any other similar system). The directors in attendance at any of such interconnected places shall be deemed to have attended the same single meeting of the Board of Directors. The meeting shall be deemed to be held at the place where the largest number of directors are located and, if in equal numbers, where the Chairman of the Board of Directors or whoever chairs the meeting in the absence thereof is located.

### Article 30. Conduct of the Meetings

1. In order for resolutions of the Board of Directors to be valid, at least a majority of the directors must be present at the meetings at which they are adopted, in person or by proxy, except in the case set forth in paragraph 6 of this article.
2. The directors shall use their best efforts to attend the meetings of the Board of Directors and, when unable to attend in person, they shall endeavor to give a proxy to another director, to whom they shall give any appropriate instructions. They may not grant a proxy in connection with matters in respect of which they are in a conflict of interest situation. The proxy granted shall be a special proxy for the Board meeting in question, and may be communicated by any of the means set forth in Article 28 above in connection with the call to meetings.

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3. The Chairman of the Board of Directors, as the person responsible for its effective operation, shall stimulate and organize the debate and active participation by all the directors during its meetings, safeguarding their freedom to make decisions and express their opinion.
4. In addition, the Chairman of the Board of Directors may, when so required by the circumstances, adopt any measures necessary to ensure the confidentiality of the deliberations and of the resolutions adopted during the meetings of the Board of Directors.
5. The Chairman may invite all those who can help improve the information provided to the directors to attend the meetings of the Board of Directors.
6. Resolutions shall be adopted by an absolute majority of votes cast in person or by proxy, except in the following cases:
  - a) Permanent delegation of powers and the appointment of directors to exercise such powers, which shall require the favorable vote of two-thirds of the directors.
  - b) Amendments to these *Regulations*, which shall require the favorable vote of two-thirds of the directors present at the meeting in person or by proxy.
  - c) Other circumstances in which the law or the Company's Corporate Governance System provides for other majorities.
7. In the event of a tie, the Chairman of the Board of Directors shall have the tie-breaking vote.

### TITLE VI. DIRECTOR COMPENSATION

#### Article 31. Director Compensation

1. The directors shall be entitled to the compensation provided for in the *By-Laws*.
2. Within the limits established in the *By-Laws*, the Board of Directors shall ensure that the compensation payable to the directors is commensurate with the compensation paid at similarly-sized companies carrying on similar business in the market and that it takes into account their dedication to the Company.
3. In addition, the Board of Directors shall ensure that the amount of the compensation of external directors is such that it provides incentives to their dedication while not risking their independence.
4. Compensation that is tied to the results of the Company shall take into account the qualifications, if any, contained in the auditor's report which reduce such results.
5. Compensation consisting of the delivery of shares of the Company or of companies belonging to its Group, stock options or instruments indexed to the value of shares, variable compensation tied to the Company's performance, or pension systems shall be limited in general to executive directors, provided, however, that external directors may participate in compensation systems entailing the delivery of shares when such delivery is made conditional upon the continued ownership of such shares for so long as the director holds office.
6. The Board of Directors shall prepare, on an annual basis, a report on the directors' compensation upon the terms established by law.
7. Such report shall be made available to the shareholders at the time of the call to the Ordinary General Shareholders' Meeting and shall be submitted to a consultative vote, as a separate item on the agenda.

### TITLE VII. INFORMATION TO DIRECTORS

#### Article 32. Powers of Information and Inspection

1. A director shall have the broadest powers to obtain information regarding any aspect of the Company, to examine its books, records, documents and other records of corporate transactions, to inspect its facilities, and to communicate with the senior managers of the Company.
2. The exercise of the powers mentioned above shall first be channeled through the Secretary of the Board of Directors, who shall act on behalf of the Chairman of the Board of Directors.
3. Presentations relating to the Group's business may be made to the directors in order to enhance their knowledge of the Group. In addition, at each meeting of the Board of Directors, a specific item may be devoted to a presentation on legal or economic matters that are significant for the Group.
4. The Company shall make available to the directors a specific software application (the directors' website) to facilitate the performance of their duties and the exercise of their powers of information, as well as the monitoring of the director training programs.

Such information as is deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof, in accordance with the agenda included in the calls to meeting, as well as materials relating to director training programs and the presentations mentioned in the preceding section shall be posted on the directors' website.

In addition, also available on the directors' website, after they have been duly approved, shall be the minutes of the meetings of the Board of Directors and the committees thereof or an extract or summary thereof, as well as such information as the Board of Directors resolves to include.

All of the foregoing is deemed to be without prejudice to the measures that it may be necessary or appropriate to adopt in order to maintain the confidentiality of the information included in the directors' website.

**Article 33. Assistance of Experts**

1. In order to be assisted in the performance of his duties, any director may request the hiring of legal, accounting, technical, financial, commercial or other expert advisors, whose services shall be paid for by the Company.

The assignment must deal with specific issues of certain significance and complexity arising during the performance of the director's duties.

2. The request for an expert to be hired shall be channeled through the Secretary of the Board of Directors, who may subject it to the prior approval of the Board of Directors; such approval may be denied in well-founded instances, including the following circumstances:
  - a) That it is not necessary for the proper performance of the duties entrusted to the directors.
  - b) That the cost thereof is not reasonable in light of the significance of the issues and the assets and income of the Company.
  - c) That the technical assistance sought may be adequately provided by the Company's own experts and technical personnel.
  - d) That it may entail a risk to the confidentiality of the information that must be made available to the expert.

**TITLE VIII. DUTIES OF DIRECTORS****Article 34. General Duties**

1. In the performance of his duties, a director shall act in good faith and with the diligence of a prudent businessman and a faithful representative, and shall comply with the duties prescribed by law and the Company's Corporate Governance System, acting in furtherance of the corporate interest.
2. Without prejudice to such other duties as may be set forth under the law or the Company's Corporate Governance System, a director is specifically required to:
  - a) Properly prepare the meetings of the Board of Directors and, if applicable, the meetings of the Executive Committee or of the committees of which the director is a member, for which purposes the director must diligently inform himself of the running of the Company and the matters to be discussed at such meetings.
  - b) Attend the meetings of the decision-making bodies and committees of which the director is a member and actively participate in the deliberations in order that the director's opinion may be an effective contribution to decision-making. In the event that, due to well-founded reasons, the director is unable to attend a meeting of which notice has been given, the director shall give instructions to the director who is to represent him.
  - c) Fulfill any specific obligation which is entrusted to the director by the Board of Directors, by the Chairman of the Board or by the Chief Executive Officer, and which reasonably falls within the director's scope of dedication.
  - d) Inquire into and give notice to the Board of Directors of any irregularities in the management of the Company of which the director has had notice, and monitor any situation of risk.
  - e) Propose a call to an extraordinary meeting of the Board of Directors or the inclusion of new matters in the agenda of the next meeting to be held, in order that deliberations may be conducted on such issues as the director deems advisable.
  - f) Oppose resolutions which are contrary to law, the Company's Corporate Governance System or the corporate interest and request that such opposition be recorded in the minutes.

**Article 35. Duty of Confidentiality**

1. The director shall keep confidential the deliberations and resolutions of the Board of Directors, of the Executive Committee or of the committees of which the director is a member and, in general, not disclose any information, data, reports or background information to which the director may have had access while in office, and not use any of the foregoing for the director's own benefit, for the benefit of the shareholder, if any, that has proposed or made his appointment, or of any other third party, without prejudice to the duties of transparency and information imposed by applicable law.
2. The obligation governed in in the preceding paragraph shall not prevent the director from communicating confidential information to third parties in the performance of his duties as a director or the exercise of powers expressly delegated to him by the Board of Directors or by the relevant committee, provided the duty of confidentiality of the recipient of the information is appropriately guaranteed, under the responsibility of the director, on the terms set forth by law.
3. The director's duty of confidentiality shall survive even after the director no longer holds such position.

**Article 36. Duty Not to Compete**

1. A director may not be a director or manager of, or provide services to, another company or entity whose corporate purpose is totally or partially analogous to the corporate purpose of the Company or which is a competitor thereof or of any companies within the Group. Excepted from the foregoing restriction are the duties that may be performed and the offices that may be held in companies belonging to the Group, in companies in which the director acts as a representative of the interests of the Group, in companies in which any of the companies belonging to the Group has an interest and in which the director does not act as a representative of the interests of the Group, unless the Board of Directors, following a report of the Nominating and Compensation Committee, believes that the Company's interests are jeopardized; and in those other instances in which the Board of Directors, following a report of the Nominating and Compensation Committee, relieves the director from observing such restriction based on the belief that the interests of the Company are not at risk..

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2. A director who ends his term of office or who, for any other reason, ceases to act as such, may not be a director or manager of, or provide services to, any entity whose corporate purpose is analogous, in whole or in part, to that of the Company or which is a competitor of the Company, for a term of two years. The Board of Directors may, if it deems it appropriate, relieve the outgoing director from this restriction or reduce it to a shorter period.

**Article 37. Conflicts of Interest**

1. A conflict of interest shall be deemed to exist in those cases in which there is a conflict, whether direct or indirect, between the interests of the Company or of the companies forming part of the Group and the personal interest of the director. A personal interest of the director shall be deemed to exist when a matter affects the director or a person related to him or, in the case of a proprietary director, the shareholder or shareholders that proposed or made his appointment or persons directly or indirectly related thereto.
2. For purposes of these *Regulations*, the following shall be deemed related persons:
  - a) The director's spouse or person related to the director by a like relationship of affection.
  - b) The ascendants, descendants and siblings of the director or of the director's spouse (or another person related to the director by a like relationship of affection).
  - c) The spouses of the director's ascendants, descendants and siblings.
  - d) The companies in which the director or his/her respective related persons, acting personally or through a third party, falls within any of the instances of control established by law.
  - e) The companies or entities in which the director or any of his related persons, acting personally or through a third party, holds a management position or from which he receives compensation for any reason, provided that the director also directly or indirectly exercises a significant influence on the financial and operating decisions of such companies or entities.
3. In the case of a legal entity acting as director, the following shall be deemed to be related persons:
  - a) The shareholders who, in respect of the legal entity acting as director, fall within any of the cases of control established by law.
  - b) The companies that form part of the same group, as such is defined in the law, and the shareholders thereof.
  - c) The individual acting as a representative, the directors, in fact or in law, and the liquidators of, and the representatives holding general powers of attorney granted by, the legal entity acting as director.
  - d) Those persons who, in respect of the representative of the legal entity acting as director, are deemed related persons pursuant to the provisions of the preceding sub-section applicable to individuals acting as directors.
4. Without prejudice to the provisions of Article 17 of these *Regulations*, conflicts of interest shall be governed by the following rules:
  - a) Communication: the director must give notice to the Board of Directors, in the person of the Chairman or the Secretary of the Board of Directors, of any conflict of interest in which the director is involved.
  - b) Abstention: the director shall leave the meeting during the deliberation and voting on those matters in which the director is affected by a conflict of interest, and shall not be counted in the number of members attending for purposes of the calculation of a quorum and majorities.
  - c) Transparency: in the *Annual Corporate Governance Report*, the Company shall report any cases of conflict of interest in which the directors have been involved during the fiscal year in question and of which the Company is aware by reason of notice given thereto by the director affected by such conflict or by any other means.
2. Notwithstanding the foregoing, in those instances where the conflict of interest situation is, or may reasonably be expected to be, of a nature that constitutes a structural and permanent conflict between the director (or a person related to him or, in the case of a proprietary director, the shareholder or shareholders that proposed or made his appointment or persons directly or indirectly related thereto) and the Company or the companies forming part of the Group, it shall be deemed that the director lacks, or has ceased to possess, the competence required to hold office for purposes of the provisions of these *Regulations*.
3. The provisions of this article may be further developed through the corresponding rules that may be made by the Board of Directors.

**Article 38. Use of Corporate Assets**

1. A director may not use the Company's assets or profit from the director's position in the Company in order to obtain any financial benefit, unless adequate consideration has been paid and it is a standardized service.
2. On an exceptional basis, the director may be relieved from the obligation to provide such consideration, but in any such case, the financial benefit shall be deemed indirect compensation and shall be approved by the Board of Directors following a report of the Nominating and Compensation Committee.

**Article 39. Non-Public Information**

1. The director may use non-public information of the Company for private purposes only if the following conditions are satisfied:
  - a) That such information is not applied with respect to transactions for the purchase or sale of securities or financial instruments of the issuer to which the information directly or indirectly refers.

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- b) That it does not place the director in a position of advantage vis-à-vis third parties, including suppliers and clients.
  - c) That the use thereof does not cause any harm to the Company.
  - d) That the Company does not own proprietary rights in, or have a similar legal position with respect to, the information that the director wishes to use.
2. In addition, the director shall observe the rules of conduct established in the legal provisions governing the securities markets and in the Company's Corporate Governance System.

#### Article 40. Business Opportunities

1. A director may not take advantage of a business opportunity of the Company, either for the director's own benefit or for the benefit of related persons, unless the investment or transaction has previously been offered to the Company, the Company has chosen not to take advantage of it without any pressure from the director, and the director has been authorized by the Board of Directors to profit from the transaction, following a report of the Nominating and Compensation Committee.
2. For purposes of the preceding paragraph, a business opportunity shall be deemed to be any possibility of making an investment or a business transaction that has arisen or has been discovered in connection with the director's performance of duties as such, or through the use of means and information belonging to the Company, or in circumstances such that it is reasonable to believe that the third party's offer was in fact addressed to the Company.
3. Likewise, the director shall not use the Company's name and shall not invoke his position as director of the Company in order to carry out transactions for the director's own account or for the account of related persons.

#### Article 41. Transactions by the Company with Directors and Shareholders

1. Any transaction by the Company or the companies forming part of its Group with directors, with shareholders that own a shareholding interest that is equal to or greater than that legally regarded as significant at any time or which have proposed the appointment of any of the directors of the Company, or with the respective related persons, shall be subject to the approval of the Board of Directors, or in urgent cases, of the Executive Committee, following a favorable report of the Nominating and Compensation Committee. In the event that, due to the urgency of the matter, the approval has been granted by the Executive Committee, the latter shall report thereon at the next meeting of the Board of Directors.
2. The Board of Directors, through the Nominating and Compensation Committee, shall ensure that transactions between the Company or the companies forming part of its Group and the directors, the shareholders mentioned in the preceding paragraph or the respective related persons are carried out under arm's length conditions and with due observance of the principle of equal treatment of shareholders who are in the same situation.
3. In the case of customary or recurring transactions in the ordinary course of business, it shall be sufficient for the Board of Directors to give a generic and prior approval of the kind of transaction and of the conditions for performance thereof, upon a prior favorable report from the Nominating and Compensation Committee.
4. However, no authorization of the Board of Directors shall be required in connection with transactions that simultaneously satisfy the following three conditions: that they are conducted under contracts whose terms and conditions are standardized and apply on an across-the-board basis to a large number of clients; that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question, and that the amount thereof does not exceed one percent of the annual income of the Company, as reflected in the audited annual financial statements for the most recent fiscal year closed prior to the date of the transaction in question.
5. The Company shall report the transactions mentioned in this article in the *Semi-Annual Financial Report* and in the *Annual Corporate Governance Report*, in those cases and to the extent provided for by law. Likewise, the Company shall include in the notes accompanying the annual financial statements information regarding the transactions by the Company or by the companies that form part of the Group with the directors and those persons who act for the account of the latter when such transactions are conducted other than in the ordinary course of the Company's business or other than under arm's length conditions.
6. The provisions of this article may be further developed through the corresponding rules that may be made by the Board of Directors.

#### Article 42. Duty of Information

1. A director shall disclose to the Company any interest (through agreements or instruments of any kind, such as certificates of deposit, derivatives, etc.) that the director may hold in the capital of any company pursuing a business that is the same as or similar or complementary to the business which the Company's corporate purpose consists of, as well as any offices held or duties performed therein and the conduct, for the director's own account or for the account of another, of any kind of business that is complementary to the business that the corporate purpose of the Company consists of. Such information shall be included in the notes to the annual financial statements and in the *Annual Corporate Governance Report*, in compliance with legal requirements.
2. A director shall also disclose to the Company:
  - a) All positions the director holds in and services the director provides to other companies or entities, as well as his other professional commitments. In particular, before accepting office as director or manager in another company or entity (except for the positions the director is called upon to hold at companies belonging to the Group or at other companies in which he represents the interests of the Group), the director shall give notice thereof to the Nominating and Compensation Committee.

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- b) Any substantial change in the director's professional status that may affect the condition or capacity by virtue of which the director may have been appointed as director.
  - c) Any judicial, administrative or other proceedings instituted against the director which, because of their significance or characteristics, may seriously reflect upon the reputation of the Company. In particular, in the event that a director becomes subject to an order for further criminal prosecution upon indictment (*resultar procesado*) or an order for the commencement of an oral trial is issued against him for the commission of any of the crimes contemplated in Section 213 of the Stock and Limited Companies Law (*Ley de Sociedades de Capital*), such director shall give notice thereof to the Company, in the person of its Chairman. In such instance, the Board of Directors shall review the case as soon as practicable and shall adopt the decisions it deems fit taking into account the interests of the Company.
  - d) In general, any fact or event that may be relevant to the holding of office as a director of the Company.
3. Directors shall provide the Company with an e-mail address as well as a mobile telephone number such that meetings of the Board of Directors may be called by those means, if so decided, and the corresponding information, if any, may so be provided to them.

### Article 43. Extension of Director's Duties

The duties prescribed in this Title of these *Regulations* in connection with the relations between the directors and the Company shall also be deemed applicable by analogy to their potential relations with companies of the Group.

Likewise, the obligations referred to in this Title of the *Regulations* shall be required of the individuals representing directors that are legal entities.

## TITLE IX. INFORMATION AND RELATIONSHIPS

### Chapter I. Information

#### Article 44. Annual Corporate Governance Report

1. The Board of Directors shall, on an annual basis and following a report by the Corporate Social Responsibility Committee, approve a corporate governance report for the Company which shall include all specifications provided for by law and any others which the Board of Directors deems appropriate to include therein.
2. Approval of the *Annual Corporate Governance Report* of the Company shall also be preceded by a report from the Audit and Risk Supervision Committee with respect to information on the risk supervision systems and by a report from the Nominating and Compensation Committee with respect to information on directors and senior managers and their compensation.
3. The *Annual Corporate Governance Report* of the Company shall be included in a separate section of the *Management Report* and shall therefore be approved together therewith and shall be made available to the shareholders together with the other documentation for the Ordinary General Shareholders' Meeting.
4. In addition, public notice shall be given of the *Annual Corporate Governance Report* of the Company as provided in the securities market rules and regulations.

#### Article 45. Corporate Website

1. The Company shall maintain a corporate website to allow shareholders to exercise their right to receive information and to disseminate the relevant information required by securities market laws, which shall include the minimum documents and information provided for by applicable law and the Company's Corporate Governance System, including information and documentation regarding the call to General Shareholders' Meetings and any other documentation and information that the Board of Directors, through its Secretary, deems appropriate to make available to the shareholders by such means.
2. It falls upon the Secretary of the Board of Directors to decide the information that is to be included on the Company's corporate website to comply with the obligations imposed by applicable laws and regulations, and he shall be responsible for the update thereof on the terms set forth in applicable law and the Company's Corporate Governance System. The Secretary of the Board of Directors shall report on the exercise of such power to the Board of Directors.

### Chapter II. Relationships

#### Article 46. Relationships with the Shareholders

1. The Board of Directors shall facilitate exercise of their rights by the shareholders and performance of the duties established by law and in the Company's Corporate Governance System. Furthermore, it shall establish the appropriate channels to hear proposals that the shareholders may make in connection with the management of the Company, in accordance with the law and the Corporate Governance System.
2. The Board of Directors, assisted by such senior managers as it deems appropriate, may organize meetings for the provision of information on the progress of the Company and of its Group with shareholders and investors.
3. In its relationships with the shareholders, the Board of Directors shall guarantee the application of the principle of equality of treatment of the shareholders who are in the same situation.
4. The Board of Directors may establish appropriate mechanisms for the regular exchange of information with those shareholders that are holders of a significant and stable financial interest in the Company, regardless of whether or not they are represented on its Board of Directors. Such

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mechanisms shall in any event take into account the existence of potential conflicts of interest and may in no case imply the provision to the above-mentioned shareholders of any information that might place them in a privileged or advantageous position vis-à-vis the others.

5. All public requests for delegation of voting powers made in favor of any director shall disclose, where applicable, the existence of a conflict of interest with the director or with a significant shareholder and shall specify the direction in which the representative shall vote in the event that no instructions are given by the shareholder, all subject to the provisions of law and of the Company's Corporate Governance System.
6. The Board of Directors shall facilitate the informed participation of the shareholders at the General Shareholders' Meeting, and shall take all such measures as may be appropriate to for the shareholders acting at a General Shareholders' Meeting to effectively exercise their powers under the law and the Corporate Governance System.

#### Article 47. Relationships with the Securities Markets

1. The Board of Directors shall immediately inform the public regarding:
  - a) Significant events.
  - b) All changes in the Company's ownership structure, such as fluctuations in significant direct or indirect interests and paracorporate (shareholders') agreements (*pactos parasociales*) of which the Board has had notice.
  - c) All substantial amendments to the Company's governance rules and regulations.
  - d) The *Treasury Stock Policy*, if any, that the Company intends to pursue on the basis of approvals obtained from the shareholders at the General Shareholders' Meeting.
  - e) All changes to the composition and to the rules of organization and operation of the Board of Directors and the committees thereof, or to the duties and positions of each director in the Company, as well as any other modification relevant to the Company's Corporate Governance System.
2. The Board of Directors shall adopt appropriate measures to ensure that the semi-annual, quarterly and any other financial information that it may be prudent to make available to the securities markets is prepared in accordance with the same principles, standards and professional practices used to prepare the annual financial statements and is as reliable as such financial statements. For this latter purpose, such information shall be reviewed by the Audit and Risk Supervision Committee.
3. The Board of Directors shall prevent its conduct from influencing the free formation of the price of the Company shares and, if applicable, of the shares of the companies forming part of its Group.

#### Article 48. Relationships with the Auditors

1. The Board of Directors shall establish an objective, professional and ongoing relationship with the Company's auditors, and shall have the utmost respect for their independence.
2. The relationship referred to in the preceding paragraph shall be channeled, as a rule, through the Audit and Risk Supervision Committee.
3. The Audit and Risk Supervision Committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders' Meeting, for appointment as the Company's auditor of an audit firm when it has evidence that such firm is affected by any circumstance of lack of independence, prohibition or incompatibility pursuant to the legal provisions governing audits of financial statements, or that the fees that the Company intends to pay it for any and all services are greater than five percent of its total income in the domestic field during the last fiscal year. The Audit and Risk Supervision Committee shall ensure that the fees of the auditors comply with the provisions of legislation governing the audit of financial statements.
4. The Board of Directors shall make public the fees that the Company has paid the audit firm, both in consideration for audit services and for services other than auditing, specifying the fees paid to the auditors and those paid to any company forming part of the same group of companies to which the auditor belongs or to any other company to which the auditor is related under a relationship of joint ownership, management or control.
5. The Board of Directors shall use its best efforts to definitively prepare the financial statements such that there is no room for comments by the auditors. However, when the Board of Directors believes that its opinion must prevail, it shall provide a public explanation of the content and scope of the discrepancy.

#### Article 49. Relationships with Senior Managers of the Company

Relations between the Board of Directors and the Company's senior managers, as provided in these *Regulations*, must be channeled through the the Chairman of the Board of Directors or the Chief Executive Officer or, in the absence thereof, through the Secretary of the Board of Directors.