

REGULATION OF THE BOARD OF DIRECTORS OF
LABORATORIO REIG JOFRE, S.A.

Approved by the Board of Directors on April 29, 2015

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BOARD OF DIRECTORS REGULATION

Articles 528 and 529 of the consolidated text of the Corporate Enterprises Act ("**CEA**"), approved by Royal Legislative Decree 1/2010 of July 2, establish the obligation to approve a Regulation governing the internal regime and operation of the Board of Directors (hereinafter, the "**Regulation**"), together with a report for the General Meeting, covering all matters pertaining to this corporate body.

This Regulation, which contains the specific measures designed to ensure the best management of the Company, places emphasis on the transparency to which the operation of the corporate bodies must be subject and promotes the knowledge available to shareholders relative to the operation of this Company body.

This Regulation complements and develops the provisions of the Bylaws relating to the Board of Directors and shall be interpreted consistently with the same and with the applicable laws.

CHAPTER I. PRELIMINARY

Article 1. Purpose.

1. This Regulation has been approved by the Board of Directors of Laboratorio Reig Jofre, S.A., (hereinafter, the "**Company**"), with a corresponding report prepared for the General Meeting, with the purpose of defining the principles of action of the Board of Directors in accordance with this Regulation, the Law and the Company's Bylaws, to regulate its organization and operation and establish the rules of conduct for its members, in order to achieve the highest possible degree of efficiency and to optimize the Board's management.
2. The rules of conduct set out in this Regulation for Directors shall apply, to the extent that they are compatible with their specific nature, to the Company's senior management, who are obliged to know and enforce compliance with their content.
3. This Regulation shall be communicated to the *CNMV* (National Securities Market Commission).

Article 2. Interpretation.

1. This Regulation shall be interpreted in accordance with applicable legal and statutory rules and its spirit and purpose. The Board of Directors is empowered to resolve any interpretative doubts that may arise from the Regulation's application, in accordance with the general criteria for the interpretation of legal regulation and the spirit and purpose of the Bylaws.



Article 3. Amendment.

1. This Regulation may be amended only by the Board of Directors upon the recommendation of the Chair, two directors or the Audit, Compliance and Conflict of Interest Committee in such cases in which they deem such amendment appropriate or necessary. Proposed amendments must be accompanied by an explanatory report and be informed by the Audit, Compliance and Conflict of Interest Committee. The text of the proposals, the explanatory report and, where appropriate, the Audit, Compliance and Conflict of Interest Committee Report, must be attached to the announcement convoking the Board meeting in which the proposals are to be discussed. The proposals must be expressly mentioned in the meeting's agenda.
2. For their validation, amendments to the Regulation shall require a resolution adopted by a majority of two thirds of the Directors attending the meeting in person or by proxy.

Article 4. Diffusion.

1. The Directors and senior management have the obligation to know, observe and enforce this Regulation. To this end, the Board Secretary shall provide the above copies of the Regulation.
2. The Board of Directors shall take appropriate measures to disseminate this Regulation as widely as possible among the shareholders and investors in general.

CHAPTER II. BOARD MISSION

Article 5. General Supervisory Function.

1. Except for matters reserved for the competence of the General Meeting, the Board of Directors is the Company's highest decision-making body, as it is entrusted, under the law and the bylaws, with the management and representation of the same. Similarly, the mission of all members of the Board of Directors is to defend the Company's long-term viability and to protect its general interests.
2. The Board's policy is to delegate the management of the Company's ordinary business in favour of the management team and to focus on its general supervisory function, assuming as its core mission the approval of the company's strategy and the organization necessary for its implementation, as well as to monitor and ensure the management's compliance with the objectives established and its respect for the company's corporate purpose.
3. For this purpose, the Board fully reserves the following powers, which are listed as examples in an expository manner, in addition to the non-delegable powers established in Articles 249 bis and 529 ter of the Corporate Enterprises Act, and those contained in Article 33 of these Bylaws.



4. In situations of duly-justified emergency, the bodies or representatives may adopt decisions corresponding to the above-mentioned matters, which must be ratified during the first Board of Directors Meeting held after the adoption of the decision.
5. Powers which are legally- or institutionally- reserved for direct knowledge of the Board, or any other powers necessary for the responsible exercise of general supervisory duties, may not be delegated.
6. The Board shall perform its duties pursuant to the principle of creating value for the Company, determining and reviewing the Company's business and financial strategies in accordance with this criterion.
7. The Board shall ensure the Company's compliance with its ethical duties and its duty to act in good faith in its dealings with employees and third parties, such as customers and suppliers.
8. The Board shall also ensure that all decision-making powers held by persons or groups within the Company shall be accompanied by the corresponding counterweight mechanisms and controls, and that no shareholders are afforded preferential treatment in relation to others. Thus, the Board shall perform its duties with unity of purpose and independent criteria, deal with all shareholders in an equal manner, and be guided by the interests of the Company, ensuring that it observes the applicable laws and regulations in its relationships with stakeholders.
9. The Board of Directors shall adopt and implement such actions and measures necessary to ensure the Company's transparency before the financial markets, promote the correct determination of the Company share price, supervise the periodic public financial information and perform any duties derived from the Company's condition as a listed company.

CHAPTER III. COMPOSITION OF THE BOARD.

Article 6. Quantitative composition.

1. The Board shall consist of the number of members determined by the General Meeting, within the limits set out in the Company's bylaws.
2. The Board shall propose to the General Meeting a number of Directors that, in accordance with the circumstances existent at any time within the Company, is considered most reasonable to ensure the body's adequate representation and efficient operation.

Article 7. Qualitative composition.

The Board of Directors shall be composed of Directors pertaining to the categories described in Article 529 duodecies of the CEA.



CHAPTER IV. APPOINTMENT AND REMOVAL OF DIRECTORS.

Article 8. Appointment of Directors.

1. Directors shall be appointed by the General Meeting or by the Board of Directors, in accordance with the provisions of the CEA and the applicable regulations.
2. Proposals for the appointment of Directors submitted by the Board of Directors for consideration by the General Meeting, and the appointment of resolutions adopted by the Meeting by virtue of its powers of co-optation, must respect the provisions of this Regulation and are to be approved by the Board of Directors:
 - a) On the proposal of the Appointments and Remuneration Committee, in the case of outside Directors.
 - b) Following the issue of a report by the Appointments and Remuneration Committee, in the case of all other Directors.
3. The Company shall publish, through its website, and maintain updated all required information derived from its condition as a listed company and, specifically, and without limitation, the following information relative to its Directors:
 - i. Professional experience and background.
 - ii. Other directorships held, when corresponding to listed companies.
 - iii. Indication of the applicable director category, indicating, in the case of outside Directors, the shareholder they represent or with whom a relationship is maintained.
 - iv. Date of first appointment as Company director, as well as that of subsequent appointments.
 - v. Company shares and share options held.

Article 9. Appointment of Outside Directors.

1. The Board of Directors shall, within the scope of its powers, make every effort to ensure that candidates who comply with the legal and statutory requirements demanded of the post and have recognised solvency and the professional prestige, competence and experience necessary for the exercise of their duties
2. The Board of Directors may not propose or appoint outside Directors who have a relationship who do not comply with the definition detailed in Article 7 of this Regulation.

Article 10 - Reappointment of Directors.



1. Proposals for the reappointment of Directors which the Board submits to the General Meeting must be subject to a formal process, during which the quality of the work and the dedication of the proposed Directors during the previous mandate are to be assessed.

Article 11 - Term of appointment.

1. Directors shall hold office for the maximum period determined by the CEA, and may be reappointed, on one or more occasions, for periods of equal duration. Directors appointed by co-optation shall hold office until the date of the first General Meeting.
2. Directors who conclude their term, or who for any reason cease to maintain their position, shall not, for a period of two years, provide their services to other companies whose corporate purpose is similar to that of the Company. The Board of Directors, at its discretion, may release the outgoing director from this obligation, or shorten its duration.

Article 12 - Removal of Directors.

1. Directors shall cease to hold their positions upon the conclusion of the term for which they were appointed, and when thus deemed appropriate either by the General Meeting or by the Board of Directors, in the exercise of the powers conferred under the law or the Company's bylaws.
2. Directors must place their positions at the disposition of the Board of Directors and, if deemed appropriate, formalize their resignation in the following cases:
 - a) When they cease to hold the executive positions associated with their appointment as Directors.
 - b) When they are involved in any of the situations of incompatibility or legal prohibition established in law.
 - c) When seriously reprimanded by the Audit, Compliance and Conflict of Interest Committee for having breached their duties as Directors.
 - d) When their continuation on the Board may jeopardize the interests of the Company or when the reasons for which they were appointed cease to exist.
 - e) When indicted for an alleged criminal offense or are the subject of disciplinary proceedings for serious or very serious misconduct by the supervisory authorities.
3. Proprietary directors shall tender their resignation when the shareholders they represent dispose of their entire shareholding, or in the corresponding number, when such shareholders reduce their ownership interest to a level that requires a reduction in the number of its proprietary directors.



4. The Board of Directors shall not propose the removal of outside Directors before the expiry of the statutory period for which they were appointed, except where just cause is found by the Board, based on a report from the Appointments and Remuneration Committee.
5. In the event of the removal of a Director prior to the termination of the appointed term, whether through resignation or for other reasons, the Director is to explain the reasons thereof in writing to all Board members. The motive for the removal is to be reflected in the Annual Corporate Governance Report.

Article 13 - Criteria to be followed in voting.

1. Directors affected by appointment, re-appointment or removal proposals shall refrain from participating in the corresponding deliberations and voting processes.
2. All votes of the Board of Directors relating to the appointment, reappointment or removal of directors shall be secret, if so requested by any member, without prejudice to the each Director's right to record their vote in the minutes.

CHAPTER V. DIRECTORS CHARTER

Article 14 - Appointment of Directors.

1. Without prejudice to the competence of the General Meeting and, when applicable, the Board of Directors, the proposals for the appointment of Board Members shall correspond to the Chair, in the event of co-option, and to the Board of Directors in relation to the General Meeting, and to the Appointments and Remuneration Committee in the case of independent Directors.

Article 15 - Right and duties relative to information.

1. It is the duty of every Director to collect all information deemed necessary or appropriate at all times for the proper performance of their duties. To this end, Directors have the broadest powers to obtain information on all aspects of the Company, to examine its books, registers, documents and other records of corporate transactions, to the extent necessary or desirable for the due exercise of their duties.
2. Requests for information shall be channelled through the Chair or the Secretary of the Board of Directors, who shall be responsible for attending to such requests, providing Directors with the information directly, or providing access to the most appropriate interlocutors within the organization in each case.
3. In order to be assisted in the exercise of their duties in relation to issues of relevance and significant complexity, Directors may propose the appointment of external experts, the costs of whom shall be borne by the Company. Such appointments must be agreed by a majority of the Board.



Article 16 - General obligations of Directors.

1. The main duty of Directors is to guide and control the Company's management in order to fulfil the purpose, set out in Article 5 above, of defending the Company's long-term viability, as well as protecting the Company's general interests in order to maximize its value for the benefit of the shareholders.
2. Similarly, in the performance of this function, Directors shall act with the diligence of a prudent businessperson, and bearing in mind the nature of the post and the functions attributed, being obliged, under the terms of this Regulation and of the CEA, among others, to:
 - a) Dedicate the appropriate time and effort to the performance of their duties, including the regular monitoring of the issues raised by the Company's management, obtaining sufficient information and collaboration or assistance to do so. To this end, the Directors are to inform the Appointments and Remuneration Committee of any other professional obligations, which are to be assessed in order to determine the extent to which they may detract from the necessary dedication required.
 - b) Actively participate in the Board and, where appropriate, in its commissions or assigned tasks, obtaining information, expressing their opinions, and urging the other Directors to adhere to the decisions they deem most favourable for the defence of corporate interest. If unable to attend any called Meetings for any justified cause, Directors shall make every effort to inform their representatives of their intentions.
 - c) Adopt all measures necessary for the correct management and control of the Company, opposing resolutions that are contrary to the law, the Bylaws or the corporate interest, and requesting the recording in the minutes of their position when deemed appropriate for the protection of the corporate interest.
 - d) Urge the convening of Board Meetings when deemed appropriate, or the inclusion in the agenda of those issues that they consider appropriate, in accordance with the Law and the Bylaws.
 - e) Request any appropriate information deemed necessary to comply with their obligations and, when applicable, to complete any information with which they have been provided in order that they may exercise objective and independent judgment on the overall functioning of the Company's administration.
3. In performing this duty, Directors shall act with absolute loyalty to the Company, as a faithful representative of the same, acting in good faith and in the Company's best interest, and shall be bound under the terms of this Regulation and the Corporate Enterprises Act to:
 - a) Refraining from exercising their powers for purposes other than



those for which they were granted.

- b) Performing their duties in accordance with the principle of personal responsibility, with freedom of criteria and judgment and independence in relation to the instructions of and relationships with third parties.
- c) Avoiding conflicts of interest between Directors, or their immediate families, and the Company, informing the Board of the existence of any such conflict that may arise. This includes, among other measures:
 - a. Taking the necessary measures to avoid incurring in situations in which their interests, whilst working either in a self-employed capacity or under contract, may enter into conflict with the corporate interest and their duties to society, according to the provisions of Articles 229 and 230 of the CEA; and
 - b. Abstaining from participation in the deliberation and voting on resolutions or decisions in which either the Director or a related party incurs in a direct or an indirect conflict of interest. Resolutions or decisions which affect Directors in their condition as such, including their appointment to or removal from posts on the Board of Directors or others of similar bodies, are excluded from this obligation.
- d) Refraining from holding positions in the Company's or its group's competitors.
- e) Refraining from employing unpublished Company information for private ends.
- f) Refraining from the improper use of the Company assets, or using their position in the Company to obtain, without adequate consideration, an economic advantage. In all cases, the Board of Directors shall be informed of the economic and commercial relationships existent between Directors and the Company.
- g) Refraining from taking advantage of business opportunities of which they become aware by virtue of their position as Director.
- h) Maintaining confidential, including following removal from their position, all data, reports, records and information to which they have had access or which they have received whilst performing their duties. Such data and information may not be used for personal gain, nor provided to third parties, without prejudice to the obligations of transparency and information under corporate and securities market law. When the director is a legal entity, the duty of confidentiality shall extend to the entity's directors.
- i) Refraining from participating in deliberations and votes on proposals



for appointments, reappointments or removals which affect them, as well as any other matter in which they have a particular interest.

- j) Informing the Company of any significant changes in their professional situation, those affecting the nature or conditions under which they were appointed as directors, or that may pose a conflict of interest.
- k) Informing the Company of any shares in the company, as well as any share options or derivatives referred to the share value, held directly or through companies in which a significant ownership interest is held, and any changes which occur in the shareholding or related rights, independent of the compliance with the securities market regulations.
- l) Informing the Company of all claims of a legal, administrative or other nature that, due to their importance, may seriously affect the Company's reputation.

Article 17 - Directors' Duty of Confidentiality.

1. Directors shall maintain the confidentiality of the deliberations of the Board of Directors and the Committees of which they form part and, in general, shall not disclose or use for their own benefit or that of another, the information, data, reports, documentation and records to which they have had access in the exercise of their post.
2. The duty of confidentiality shall be maintained including following the Director's removal from their position.

Article 18 - Non-compete Obligation.

1. Directors may not provide professional services, or services of any other nature, to the Company's competitors or to any of the competitors its Group companies.
2. Directors must consult the Board of Directors before accepting any advisory or management position in companies or entities whose activity is directly or indirectly related to that of the Company or any of its Group Companies.

Article 19 - Conflicts of Interest.

1. Subject and without prejudice to the provisions of Articles 229 and 230 of the CEA, of the Bylaws and this Regulation, Directors shall not participate in deliberations on matters in which they have a direct or indirect interest.
2. Directors are considered to have personal interest when the issue affects a member of their family or a company in which they hold a management position or a significant ownership interest in its share capital.
3. Directors shall not undertake business transactions with the Company or with



any of the companies in its Group without the previous consent of the Board of Directors.

Article 20 - Use of Corporate Assets.

1. Directors shall not make use of Company assets nor their position within the Company to obtain, without the satisfaction of an appropriate consideration, economic advantage.
2. Exceptionally, Directors may be exempted from the obligation to pay such a consideration, although in such cases the benefits shall be considered indirect remuneration and must be authorized by the Board of Directors.

Article 21 - Non-public information.

1. Directors may only use non-public Company information for private purposes if the following conditions are met:
 - a) The use of such information does not violate the regulations governing the securities market;
 - b) Its use does not cause any harm to the Company.
 - c) The Company does not hold exclusive rights or a similar legal position over the information the Director wishes to use, except when express authorization has been issued by the Board of Directors.
2. Notwithstanding the provisions of the preceding paragraph, Directors must at all times observe the rules of conduct set out in the Securities Market Law.

Article 22 - Directors' Duties of Communication.

1. Directors shall inform the Company of any Company shares they hold directly or through companies in which they hold a significant ownership interest. Similarly, Directors shall inform of any other shares held directly or indirectly by their closest relatives (spouses and parents or children who live with or are dependents of the Director), pursuant to the provisions of the Securities Market Law.
2. Directors must also notify the Board of Directors of all positions held and activities carried out in other companies and, in general, of any fact or event that may be relevant to their role as Company Director.

Article 23 - Transactions with Significant Shareholders.

1. Transactions between the Company and any of its significant shareholders must be approved by the Board of Directors.
2. In the case of ordinary transactions, generic authorization of the transactions and the corresponding conditions shall suffice.



CHAPTER VI. DIRECTORS' REMUNERATION.

Article 24 - Directors' Remuneration.

1. Directors shall be entitled to the remuneration established by the Board of Directors in accordance with the provisions of the Bylaws.
2. The Board of Directors shall make every effort to ensure that the remuneration is commensurate with the accepted market rates in companies of similar size and activity.
3. The Directors' remuneration shall be fully transparent, and to this effect the Directors' remuneration policy is to figure in the annual report.
4. The remuneration policy, which must be approved by the Board of Directors and submitted to the advisory vote of the General Meeting in terms detailed below and which must include all the mandatory concepts established under the current legislation as applicable to listed Companies, including the following, among others:
 - a) Amount of fixed components, itemized where necessary, of the expenses for attendance at Board and Committee meetings, and an estimate of the fixed annual remuneration to which they give rise.
 - b) Variable concepts, including:
 - i. The types of Director to which they apply.
 - ii. The results assessment criteria on which any rights to remuneration in share options, shares or variable components are based.
 - iii. The main parameters and rationale for any annual bonus scheme and any other non-cash benefits.
 - iv. An estimate of the total amount of variable remuneration.
 - c) The main features of pension systems, with an estimate of their amount or equivalent annual comprehensive cost.
 - d) The conditions that apply to the contracts of those performing Senior Management functions, such as executive Directors, including:
 - i. Duration.
 - ii. Notice periods.
 - iii. Any other clauses covering contracting bonuses and compensation, golden parachutes or early termination of the contractual relationship between the Company and the Executive Director.
5. The total amount of the remuneration referred to the preceding paragraph is



to be agreed by the Company's General Meeting, in accordance with the Directors' remuneration policy, in accordance with all or some of the concepts contained in the CEA, subject to, in those cases established by Law, prior approval by the General Shareholders Meeting.

6. Notwithstanding the obligations regarding Directors' remuneration policies established by the applicable legislation, the above-mentioned amount shall remain in effect until such time as the General Meeting resolves the amendment of the same under Article 217 of the CEA.
7. The specific amount corresponding to each Director for the above-mentioned concepts and the corresponding payment method shall be set by the Board of Directors. For this purpose, the posts held by each Director on the Board and their membership of and assistance at the various committees shall be taken into consideration.
8. Similarly, any expenses incurred by Directors when undertaking activities mandated by the Board of Directors shall be reimbursed and the Company may contract liability insurance for its Directors in market conditions and taking into consideration the circumstances of the Company. All rights and duties derived from membership of the Board of Directors shall be compatible with any other rights, obligations and compensation corresponding to the Directors for any other functions, including those of an executive nature, performed in the Company.
9. The Directors' remuneration, to be established by the Company's Board of Directors, subject to prior approval, when applicable, by the General Meeting, may include, inter alia and without limitation, any of the concepts indicated in the preceding paragraphs. The Directors' remuneration for the performance of executive duties shall be incorporated into the contracts to be signed by the Directors with the Company, pursuant to the provisions of following paragraph.
10. When a member of the Board is appointed CEO or assigned executive duties under another title, a contract must be formalised between the Director and the Company under the terms of Article 249 of the CEA. The contract shall detail all the concepts eligible for remuneration for the performance of executive duties. Directors shall not receive remuneration for performing executive duties whose amounts or concepts are not provided for in the mentioned contract.
11. The Directors' remuneration shall be transparent and the report, as an integral part of the financial statements, shall provide detailed information on the same.
12. The Board is to annually submit a report on the Directors' remuneration to the advisory vote of the General Meeting, as a separate item on the agenda. Similarly, the Board of Directors shall submit, at least every three years and as a separate item on the agenda, a Directors' remuneration policy proposal to the vote of the General Meeting. The content of the proposal, which is to be accompanied by a specific report issued by the Appointments and



Remuneration Committee, shall be adapted to the remuneration system provided for in the Bylaws and these Regulations. The Board is to inform the General Meeting of the role of the Appointments and Remuneration Committee in the preparation of the Directors' remuneration policy, together with the identity of any external consultants engaged.

13. The remuneration derived from membership of the Board of Directors shall be compatible with the other professional or contractual remuneration corresponding to the Directors for any other executive or advisory duties performed in the Company in the legally-accepted terms.

Article 25 - Outside Directors' Remuneration.

1. The Board of Directors will adopt all measures available to ensure that the remuneration of outside Directors offers incentives for their dedication without compromising their independence.

CHAPTER VIII. BOARD PROCESS.

Article 26 - Board Meetings.

The Board shall meet in ordinary, general sessions once a month, notwithstanding the determination of an alternative frequency in accordance with specific circumstances, provided that it meet with the necessary frequency to properly perform its duties. In all cases, the Board of Directors shall meet at least once every quarter. The agenda of the ordinary sessions shall necessarily focus on the Company's overall performance and its financial results, as well as any extraordinary events affecting the Company.

1. The Chair, or his/her substitute, shall establish the agenda for all Board Meetings.
2. Without prejudice to the provisions of the Bylaws relating to the convening of the Board, Board meetings shall be convoked by letter, telex, telegram, email or other similar means sent to each of the Directors at the address indicated by the same, with at least five days notice prior to the date established for the Meeting, indicating the place and time thereof, and including the agenda. Extraordinary meetings may be called by telephone immediately when, in the opinion of the Chair or his/her substitute, circumstances so warrant. The call must be sent to the Directors together with the necessary information relative to each of the items on the agenda.
3. Board Meetings shall normally take place at the Company's registered offices, although they may be held at any other location determined by the Chair and indicated in the call. Exceptionally, and when so decided by the Chair, Board meetings may be held simultaneously in various rooms, providing such rooms are adequately connected by audiovisual and communications means capable of ensuring the unity of the minutes.



4. The Board may deliberate and approve resolutions on matters included in the agenda and on matters proposed ad hoc by the Chair or by a majority of the members present or represented.
5. Any concerns expressed by Directors or the Secretary about proposals or the performance of the Company which are not resolved at the Meeting shall be recorded in the minutes.

Article 27 - Representation and Approval of Resolutions.

1. Directors may grant a proxy to another member of the Board, as provided in the Bylaws, and may issue specific voting instructions in relation to any or all points on the agenda. Non-executive Directors may only grant proxy to other non-executive Directors in the terms established under the CEA.
2. Director absences shall be kept to a minimum and detailed in the Annual Corporate Governance Report, taking into account the Directors' duty to personally attend the Meetings.
3. Resolutions shall be adopted by a majority of the Directors present or represented at each Meeting, notwithstanding those agreements requiring a qualified majority under the Bylaws, this Regulation or the applicable law.
4. Board Meetings held by correspondence and without session shall only be permitted with the acceptance of all the Directors, and must comply with the corresponding legal requirements.

Article 28 - The Chair of the Board of Directors.

1. The Chair of the Board of Directors, who may be an executive director, will chair all the Company's organs of government and administration.
2. The Board's agreement on the appointment of a Chair must be accompanied, when applicable, by a definition of the powers delegated to the same, taking into consideration the characteristics of the person elected and the circumstances in which the appointment is made. The Chair shall be appointed following the issue of a report by the Appointments and Remuneration Committee.
3. The Chair shall; ensure that, prior to the celebration of Board Meetings, the Directors receive sufficient information; stimulate discussion and the active participation of the Directors during Board Meetings, and organize and coordinate the periodic assessment of the Board and the Chief Executive Officer with the corresponding Committee Chairs.
4. The Board of Directors, with the abstention of the Executive Directors, must necessarily appoint a coordinator Director from among the outside Directors. The Coordinator Director will be specifically empowered to call Board Meetings or include new items on the agenda of a Board Meeting that has already been called, coordinate and assemble the non-executive directors and direct, where appropriate, periodic assessments of the Chair of the Board of Directors.



5. The Chair shall hold the maximum responsibility for the effective functioning of the Board. In addition to the powers granted by law and the Bylaws or these Regulations, the Chair shall hold the powers established in Article 529 sexies of the CEA.

Article 29 - Secretary of the Board.

1. Appointment to the position of Secretary of the Board of Directors is not restricted to those holding positions as Directors. To safeguard the post's independence, impartiality and professionalism, the appointment and dismissal of the Secretary is to be informed by the Appointments and Remunerations Committee and approved by the Board Meeting.
2. The Secretary shall assist the Chair in his/her duties and shall provide for the proper functioning of the Board, ensuring that his/her actions comply with the applicable regulations, with specific focus on the duties established under the Bylaws and the CEA.
3. The Secretary shall make every effort to ensure the formal and material legality of the Board's actions and make his/her best efforts to ensure strict observance of the Board's procedures and rules of governance. The Secretary shall specifically ensure that the Board's actions:
 - a) Adhere to the letter and spirit of the applicable laws and regulations.
 - b) Comply with the company's Bylaws and the Board and General Meeting Regulations.
 - c) Are informed by the corresponding recommendations on good governance.

Article 30 - Board of Directors Committees.

1. The Board of Directors may agree to designate one or more Chief Executive Officers and a Delegate Committee from among its members.
2. The structure of the Executive Committee shall be similar to that of the Board. The Board shall be permanently informed of the issues discussed and the decisions adopted by the Executive Committee.
3. In the event of the appointment of a CEO, the corresponding contract must be signed in accordance with the terms established in the current legislation.
4. In such a case, the agreement must either list the powers delegated or express the delegation of all powers which may be legally delegated in accordance with the Bylaws and, when applicable, those which have been conferred to the Board by the General Meeting and which may also be delegated. For this purpose, it must be noted that the powers provided for in Articles 249 bis and 529 ter of the Corporate Enterprises Act, and those contained in the Bylaws, cannot be delegated.



5. The permanent delegation of the Board of Directors' powers to an Executive Committee or to one or more Chief Executive Officers and, when applicable, the designation of Directors who are to assume such posts, necessarily requires the favourable vote of two thirds of the members of the Board, and will not enter effect until its due registration in the Companies Register.
6. Notwithstanding the delegations of authority effected in favour of individual Directors and the corresponding power to constitute Executive Committees with broad decision-making powers, delegated Committees for specific areas of activity or other bodies of an advisory nature, the Board of Directors shall create an Audit, Compliance and Conflict of Interest Committee and an Appointments and Remunerations Committee, two of which may hold powers of information, consultancy and proposal on the matters determined by the following articles.
7. The Committees shall regulate their own process, shall appoint a Chair from among their members, as well as Secretary, who need not be a Director, and in which case will have the right to voice but no vote, and shall meet when convened by their respective Chairs. The Executive Committee, whose composition and regulations shall be determined by the Board of Directors, is excepted from the above. The Committees shall prepare an annual schedule of regular meetings, which is to be reported to the Board. In matters not covered by specific provisions, the rules of operation established by this Regulation for the Board shall be applicable, provided they are consistent with the nature and function of the Committee.

Article 31 - The Audit, Compliance and Conflict of Interest Committee.

1. The Board of Directors shall create and maintain an Audit, Compliance and Conflict of Interest Committee, which shall be mandatory and permanent in nature.
2. The Audit, Compliance and Conflict of Interest Committee shall be composed in accordance with the provisions of Article 529 quaterdecies of the CEA.
3. The members of the Audit, Compliance and Conflict of Interest Committee are to be appointed for a term of four years, and may be re-elected for successive terms of the same duration. The Audit, Compliance and Conflict of Interest Committee shall name a Chair from among those of its members which hold the condition of outside Directors.
4. The Bylaws or the Board of Directors Regulation must establish the number of members of the Audit, Compliance and Conflict of Interest Committee, as well as the Committee's competences and operational regulations.
5. Notwithstanding the provisions established in the Bylaws, the Audit, Compliance and Conflict of Interest Committee is to be composed of a minimum of three and a maximum of five Directors, and is to be chaired by an independent Director.



6. The Audit, Compliance and Conflict of Interest Committee's members are to be appointed in accordance with their knowledge and experience in the field of accounts, audits or risk management.
7. Without prejudice to any other duties that may be assigned by the Board of Directors or its Chair, and under the current legislation, the Audit, Compliance and Conflicts of Interest Committee shall exercise, in addition to those established under Article 529 of the CEA, the following functions:
 - a) Inform the annual financial statements, as well as the half-yearly and quarterly financial statements, which must be filed with the regulatory or market supervision bodies, indicating the internal control systems, the monitoring procedures followed and compliance through the internal audit, and, where appropriate, the accounting principles applied.
 - b) Inform the Board of Directors of any amendments to accounting criteria and balance sheet and off balance risks.
 - c) Supervise the internal audit services. The Committee shall have full access to the internal audit and will report during the process of selection, appointment, renewal and removal of its Director and on the establishment of the Director's remuneration. The Committee must also report on the budget of this department.
 - d) Meet with the Directors deemed pertinent to the Committee's meetings in order that they may inform to the degree agreed by the Audit, Compliance and Conflict of Interest Committee.
 - e) Prepare an annual report on the activities of the Audit, Compliance and Conflict of Interest Committee, which must be included in the management report.

1st. In relation with the information and internal control systems:

- a) Supervise the preparation and integrity of company's financial reporting, monitoring compliance with legal provisions, the accurate demarcation of the consolidation perimeter and the correct application of accounting principles
- b) Periodically review the internal control and risk management systems, in order that the main risks, including tax risks, are identified, managed and disclosed properly, as well as discussing with the auditor any significant weaknesses detected in the internal control system in the course of the audit.
- c) Supervise and safeguard the independence and efficacy of the internal audit function, with full access to the audit; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service and establish the remuneration of



its Director; receive regular reports on its activities and the service's budget; and verify that Senior Management is acting on the findings and recommendations of its reports.

- d) Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities of potential importance, especially those of a financial and accounting nature, detected within the company.
- e) Meet with any Company employee or manager, to the extent that it must be able to require their appearance without the presence of another senior officer.
- f) The Audit, Compliance and Conflict of Interest Committee is to report to the Board, prior to the Board's adoption of the corresponding decisions, on the following matters:
 - i. The financial reporting that all listed companies must periodically disclose. The Committee must ensure that interim financial statements are prepared under the same accounting principles as those employed for the annual financial statements and, to this end, may ask the external auditor to conduct a limited review.
 - ii. The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Group.
 - iii. Transactions with related parties.
- g) Supervise compliance with the Internal Code of Conduct in relation to the Securities Market and the Policy on the Use of Relevant Information and corporate governance regulations.

2nd. In relation to the external auditor:

- a) Submit proposals to the Board of Directors, for their submission to the General Meeting, for the selection, appointment, reappointment and removal of external auditors, and the terms of their engagement.
- b) Receive regular information from the external auditor on the progress and findings of the audit programme, and verify the Senior Management's observance of its recommendations.
- c) Ensure the independence of the external Auditor, and to this effect ensure:
 - i. That the company reports any change of auditor to the Spanish Securities Market Commission as a significant



event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

- ii. That the Company and the auditor adhere to current regulations on the provision of services other than audit services, the limits applicable to the concentration of the auditor's business activity and, in general, all other regulations established to ensure the independence of the auditors. In all cases, the Committee must receive a statement from the external auditors on an annual basis relative to their independence in relation to the Company or companies directly or indirectly related thereto, as well as information on additional services of any kind provided and the corresponding fees perceived from such companies by the external auditor or by persons or entities related to the auditor pursuant to the provisions of the legislation applicable to the account auditing.
 - iii. The examination of any circumstances giving rise to the resignation of the external auditor.
- d) Issue annually, prior to the issuance of the account audit report, a report expressing an opinion on the independence of the accounts auditor. This report shall include, in all cases, the assessment of the provision of additional services referred to in section (c)(ii) above, considered individually and collectively, other than the statutory audit and in relation with the regulations governing independence or the audit regulations.
 - e) Favour the undertaking by the Group auditor of the auditing of all the group companies
 - f) The operation of the Audit Committee shall be governed by the rules determined by the Board of Directors in the corresponding internal Regulations.
 - g) Minutes of the Audit Committee meetings shall issued and copies sent to all Board members.

Article 32 - Appointments and Remuneration Committee.

1. The Board of Directors shall create and maintain an Appointments and Remunerations Committee, which shall be mandatory and permanent in nature.
2. The Appointments and Remunerations Committee shall be composed in accordance with the provisions of Article 529 quincecies of the CEA.
3. The members of the Appointments and Remuneration Committee are to be appointed for a term of four years, and may be re-elected for successive terms



of the same duration. The Appointments and Remuneration Committee shall name a Chair from among those of its members which hold the condition of outside Directors.

4. The Bylaws must establish the number of members of the Audit, Compliance and Conflict of Interest Committee, as well as the Committee's competences and operational regulations.
5. The Appointments and Remuneration Committee shall exercise, in addition to those established under Article 529 quindecies of the CEA, the following duties:
 - a) Prepare an annual report on the activities of the Appointments and Remuneration Committee, which must be included in the management report.
 - b) Propose the basic conditions of senior management contracts to the Board of Directors.
 - c) Safeguard compliance with the Directors' remuneration policy approved by the Company's General Meeting.
 - d) Consult with the Company's Chair and Chief Executive, especially on matters relating to Executive Directors and senior management.
 - e) Organize and monitor the annual assessment of the performance of the Board of Directors and that of its committees and propose, on the basis of its outcome, an action plan to correct any deficiencies identified.
 - f) Analyse requests received from Board members relative to potential candidates for vacancies on the Board of Directors. The operation of the Appointments and Remuneration Committee shall be governed by the rules determined by the Board of Directors in its corresponding Regulations.
 - g) Minutes of the Appointments and Remuneration Committee meetings shall issued and copies sent to all Board members.

CHAPTER VIII. BOARD OF DIRECTORS RELATIONS

Article 33 - Shareholder Relations.

1. The Board of Directors shall determine the most appropriate mechanisms to study the proposals formulated by shareholders in relation to the corporate management.
2. Notwithstanding the Board's guaranteeing of the principal of equal treatment its relations with shareholders, the information systems in place for the



different groups of shareholders shall be studied and monitored.

3. Upon a public request for proxy voting by any member of the Board, the determination of the vote must be established in the absence of specific instructions from the shareholder and, when applicable, the existence of potential conflicts of interest must be reported.
4. The Board of Directors shall ensure that transactions between the Company, Directors and controlling shareholders are effected in market terms and with respect for the principle of equal treatment.

Article 34 - General Meeting Relations.

1. The Board of Directors shall take all appropriate measures to facilitate the exercise by the General Meeting of its functions under the Law and the Bylaws.
2. Specifically, the Board shall adopt the following measures:
 - a) Make available to the shareholders, prior to the General Meeting and together with the information required under law, any relevant information which can reasonably be provided, in either written or in electronic format.
 - b) Respond with utmost diligence to written requests from shareholders for information prior to the General Meeting, or oral requests received during the celebration of the General Meeting and in relation to items on the agenda.
 - c) Study the possible systems in order to facilitate shareholder voting via computerised or other remote voting systems.

Article 35 - Auditor Relations.

1. The Board will establish an objective, professional and continuing relationship with the Company External Auditor appointed by the General Meeting, ensuring its independence and making available all information necessary for the exercise of its functions.
2. The Board of Directors shall make every effort to ensure the preparation of the financial statements in such a manner as to avoid the inclusion of Auditor reservations. In the case of the existence of such reservations, both the Chair of the Audit Committee and the Auditors shall clearly explain to shareholders the content and scope of the same.

CHAPTER IX. ENTRY INTO FORCE AND REVIEW OF THESE REGULATIONS

Article 36 - Entry into Force.

This Regulation shall enter into force as of the date of its approval by the Board of



Directors. For this purpose, all members of the Board shall issue individual written statements of acceptance of this Regulation, with specific reference to their not being affected by any of the incompatibilities or prohibitions established under Law, the Bylaws or this Regulation, as well as detailing any potential conflicts of interest that may exist in relation to the Company.

Article 37 – Review.

Three years after the entry into effect of this Regulation, the Board of Directors shall include a review of its effectiveness and enforcement as an item on the agenda of one its Meetings and, if deemed necessary, the study of any amendments considered appropriate for the better fulfilment of its purposes.