

**REPORT OF THE BOARD OF DIRECTORS OF PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. IN RELATION TO THE PROPOSED MODIFICATION OF THE ARTICLES OF ASSOCIATION REFERRED TO IN THE FIFTH POINT OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED FOR 28 APRIL 2015, IN FIRST CALL, AND FOR 29 APRIL 2015, IN THE SECOND CALL**

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The Board of Directors of Prosegur Compañía de Seguridad, S.A. (the “**Company**”) issues this report to justify the proposed change in the Articles of Association submitted for the approval of the General Shareholders' Meeting under the fifth point of the agenda, as provided in article 286 of the Spanish Corporations Act. To these effects, this report equally includes the whole text of the proposed changes.

**1. PROPOSED CHANGES AND JUSTIFICATION**

In order to facilitate the shareholders' right to vote, the proposed changes have been grouped for the purpose of voting into two different independent blocks:

- (i) Modification of the following articles of Heading IV, Section 1 (“*Regarding the General Meeting*”) of the Articles of Association: Article 14 (“*Regarding the General Meeting. Types of Meeting*”), article 15 (“*Regarding the calling of the Shareholders' General Meeting*”), article 16 (“*Regarding the shareholder's right to be informed*”), article 17 (“*Regarding the right to attend the meeting*”), article 18 (“*Regarding quorums of constitution and of assistance*”), article 19 (“*Regarding adopting resolutions and their effectiveness*”) and article 20 (“*Regarding the Chairman and the Company Secretary*”).
- (ii) Modification of the following articles of Heading IV, Section 2 (“*Regarding The management body*”) of the Articles of Association: article 21 (“*Regarding the Board of Directors*”), article 22 (“*Regarding the duration of the appointment and Directors' retributions*”), article 23 (“*Regarding the meeting of the Board of Directors*”), article 24 (“*Regarding the powers of the Board of Directors*”), article 25 (“*Regarding the Executive Committee*”), article 26 (“*Regarding the Appointments and Remuneration Committee*”) and article 27 (“*Regarding the Audit Committee*”).

The principal purpose of this change in the Articles of Association is to bring in the legislative developments strengthening the position of the shareholders, approved since the last General Shareholders' Meeting, and particularly the changes derived from Law 31/2014, of 3 December, modifying the Spanish Corporations Act for better corporate government (“**Law 31/2014**”).

Similarly, within the framework of adapting the Company Articles of Association to the legal modifications derived from Law 31/2014, the opportunity has been used to simplify its content, to eliminate sections that reproduced the content of the law and to bring in other technical improvements.

- (iii) **1.1. Modification of the following articles of Heading IV, Section 1 (“Regarding the General Meeting”) of the Articles of Association: Article 14 (“Regarding the General Meeting. Types of Meeting”), article 15 (“Regarding the calling of the Shareholders’ General Meeting”), article 16 (“Regarding the shareholder’s right to be informed”), article 17 (“Regarding the right to attend the meeting”), article 18 (“Regarding quorums of constitution and of assistance”), article 19 (“Regarding adopting resolutions and their effectiveness”) and article 20 (“Regarding the Chairman and the Company Secretary”).**

Proposed modification of articles 14, 15, 16, 17, 18, 19 and 20 of the Company Articles of Association.

In particular, in article 14, which regulates the General Shareholders' Meeting and its competence, it is proposed to eliminate the section regulating the competences of the General Shareholders' Meeting and the kind of board meetings, as these questions are determined in the law and, in any case, their development may be established in the Regulations of the General Shareholders' Meeting.

In article 15, the minimum percentage is reduced from the five percent requirable for the right to vote to complete the agenda, to present proposed agreement and to ask for the General Meeting to be called, in line with the modification made in this sense by Law 31/2014. Similarly, the regulation concerning the holding of the General Meeting in second call is adapted to what is provided by article 177.3 of the Spanish Corporations Act.

In article 16, the time during which the shareholders may exercise their right to information before the General Shareholders' Meeting is extended in line with the modification provided in Law 31/2014, and the new regulation introduced by said law with respect to the listing of the special cases in which the Board of Directors is not obliged to provide the information is included.

With respect to article 17, the number of shares required for shareholders to be able to attend the General Meeting is reduced in accordance with the modification brought in by Law 31/2014. Furthermore, other technical improvements are introduced and the final section of point 2 of the article, the content of which is provided in the law, is eliminated in order to simplify its content.

In article 18, which regulates the quorum for constitution and majorities, a reference is made to the law.

In relation to article 19, it is proposed to adapt the title for the effects of regulating the issue of remote votes and to bring in technical improvements and suppress its extensive regulation, as it is considered more technically appropriate that this subject should be the object of regulation in the Regulations of the General Shareholders' Meeting.

Finally, with respect to article 20, a technical modification is made for the effects of correcting crossed reference to article 21.5 of the Articles of Association.

There follows the text of said articles, indicating the proposed modifications:

**Article 14.- Regarding the General Meeting.** ~~Types of Meetings.~~

14.1 *The General Shareholders' Meeting, having been duly called and convened, subject to the provisions set forth in the law and in these Articles of Association, is the governing body of the Company. All shareholders, including dissidents and those who have not participated in the meeting, submit to the agreements of the General Shareholders' Meeting.*

14.2 *The General Shareholders' Meeting shall approve a Regulation concerning its organisation and operation which, notwithstanding the provisions of the law and these Articles of Association, shall be binding.*

14.3. The General Shareholders' Meeting will decide on the matters attributed to it by Law, ~~or by these Articles of Association and especially concerning the following: these Company Articles of Association and their Regulation. Similarly, the General Shareholders' Meeting will decide on any matter which may be submitted to it by the Board of Directors.~~"

~~1. Approval of the Annual Accounts, the distribution of income and the conduct of business by the Board of Directors.~~

~~2. Appointment and removal of the Directors, liquidators and accounts auditors, as well as exercising corporate social responsibility against any of them.~~

~~3. Amendments to the Company Articles of Association.~~

~~4. Increases and reductions in share capital, as well as the granting of powers to the Board of Directors to increase share capital, in which case it may also grant it powers to exclude or limit pre-emptive subscription rights, in the terms provided by law.~~

~~5. Removal and restriction of pre-emptive subscription rights.~~

~~6. Transformation, merger or division of the Company or global assignment of assets and liabilities and relocation abroad.~~

~~7. Dissolution of the Company.~~

~~8. Approval of the final liquidation balance sheet.~~

~~9. Issuance of bonds and granting of powers to the Board of Directors to issue bonds.~~

~~10. Transformation of the Company into a holding company through “subsidiarisation” or merger into subsidiaries.~~

~~11. Acquisition or disposal of key operating assets, when this effectively involves a change of the corporate purpose.~~

~~12. Operations whose effect is equivalent to the liquidation of the Company.~~

~~13. Any other matter provided by law or these Articles of Association or which the Board of Directors agrees to submit for its approval.~~

~~14.3. The General Shareholders’ Meeting may be ordinary or extraordinary and must be called by the Directors of the Company.~~

~~14.4. The Ordinary General Shareholders’ Meeting, previously called for the purpose, shall meet within the first six months of each year to approve the conduct of business by the Board of Directors, approve, as appropriate, the previous year’s financial statements, and to decide on the distribution of income. It may also approve resolutions on any other matter within its remit, provided that such matters are on the agenda or legally required, and that the General Shareholders’ Meeting has been convened with the required legal quorum. The Ordinary General Shareholders’ Meeting shall be valid even when convened or held outside the established deadline.~~

~~14.5. All Meetings other than those described in the above article shall be considered Extraordinary General Shareholders’ Meetings.~~

**Article 15.- Regarding the calling of the Shareholders’ General Meeting**

15.1. The General Shareholders' Meeting shall be formally called by the Board of Directors by a notice published with the forewarning required by Law. The noticed will be disseminated at least by the following means: (a) The Official Gazette of the Company Register or one of the newspapers of greatest circulation in Spain; (b) the website of the National Securities Market Commission, and; (c) the corporate web site of the Company. The notice shall remain on the Company’s website at least until the General Shareholders' Meeting is held.

15.2. All shareholders representing at least ~~five~~three per cent of the share capital may ask (a) for a complement to the call to ordinary General Shareholders' Meeting to be published, including one or more points of the agenda, provided the new points

are accompanied by justification or a justified agreement proposal, and (b) present well-founded proposals on matters already included or which have to be included in the agenda of the called General ~~Shareholders'~~ Meeting.

The exercise of rights referred to in the above paragraph must be made by irrevocable notification to be received at the Company headquarters in the five days following the publication of the call.

- 15.3. The notice shall specify the date of the meeting at first call and all matters to be addressed; it may also state the date on which the General Shareholders' Meeting shall meet at second call, where applicable.
- 15.4. At least twenty-four hours must elapse between the first and second calls.
- 15.5. If the duly called General Shareholders' Meeting is not held at first call and the notice did not announce the date of the second call, this second call shall be advertised in accordance with the same requirements as the first notice, within the fifteen days following the date of the Meeting not held and ten ~~eight~~ten days prior to the date of the meeting.
- 15.6. The ~~Extraordinary~~extraordinary General Shareholders Meeting may be called by the ~~Organ~~Board of Directors, when deemed appropriate for Company interests, or at the request of shareholders representing at least percent of share capital and, in this case, the matters to be discussed at the meeting ~~five~~three percent of share capital and, in this case, the matters to be discussed at the meeting.
- 15.7. Notwithstanding the preceding paragraphs, the General Shareholders' Meeting shall be construed as having been validly called and convened to discuss any matters, when the entire share capital is in attendance and the attendees unanimously agree to hold the meeting.

**Article 16.- Regarding the shareholder's right to be informed**

- 16.1. From the publication of the notice, the Company shall make available to shareholders at the registered office and maintain accessible at all times via the Company website, for the information of shareholders and investors in general, the legally required information, ~~and the proposals of resolutions that are to be voted at the General Shareholders' Meeting.~~
- 16.2. Until the ~~seventh~~fifth day before the General Meeting is held, shareholders may request from the Directors such information or clarifications as they consider necessary, or submit such written questions as they deem appropriate regarding the matters on the agenda or the public information that has been provided by the Company to the Spanish Securities Market Commission (CNMV) since the General Shareholders' Meeting immediately before and concerning the auditor's report. ~~Directors are required to provide such information in writing up until the~~

~~date of the General Shareholders' Meeting.~~

- 16.3. During the General Shareholders' Meeting, the shareholders ~~of the Company~~ may verbally ask for all information or clarifications that they ~~consider~~deem expedient regarding the matters of the ~~agenda, of the information accessible to the public provided by the cab company to the National Securities Market Commission (CNMV) since the last General Shareholders' Meeting and concerning the auditor's report. If it is not possible to satisfy the right of the shareholder during the session, the Directors are obliged to provide this information in writing in the seven days following the end of the Meeting~~previous section.
- 16.4. The board of Directors will be obliged to provide the requested information according to the two preceding sections in the form and within the times provided in Law, in these Company Articles of Association and in the Regulations of the General Shareholders' Meeting, except in the cases in which, in the opinion of the Chairman, the advertising of the requested information might damage the company interests. No information may be refused when it is unnecessary for the guard of the shareholders' rights or there should be objective reasons to consider that it might be used for purposes beyond the company or that its notification should damage the Company or the related companies is. The requested information may not be refused when the request is supported by shareholders representing at least ~~a quarter~~twenty-five percent of the share capital.
- 16.5. In all other matters not provided in these Articles of Association with regard to shareholders' exercising of their right to information, the applicable provisions are those set forth in applicable legislation and in the Regulations of the General Shareholders' Meeting.

**Article 17-        *Regarding the right to attend the meeting***

- 17.1. Shareholders may attend ~~and vote at the~~the General Shareholders' Meeting if they hold at least ~~one per~~ thousand ~~of the share capital~~shares, provided their shares are recorded in the corresponding register of notes on account, at least five days before the Meeting is to be held.
- 17.2. Shareholders who individually do not fulfil the requirement of the minimum number of shares required to attend ~~and vote in~~at the General Meeting may pool their shares ~~and delegate their representation at the Meeting to a representative who must be a shareholder. The intention to exercise this right of share pooling and the identity of the representative shall be reported to the Board of Directors of the Company at least five (5) days prior to the date of date of the General Shareholders' Meeting; otherwise the above shall be null and void~~in the terms provided in the Law and in the Regulations of the General Shareholders' Meeting.

17.3. The Company's Directors must attend the General Shareholders' Meeting. In addition, the Chairman may authorise or require the attendance of senior and junior managers, technical staff and other personnel, when deemed appropriate, without prejudice to the powers of the General Shareholders' Meeting to revoke this authorisation.

17.4. All shareholders entitled to attend ~~the Meeting,~~ may be represented ~~therein~~ at the General Shareholders' Meeting by another person ~~even though they might not be a shareholder,~~ whether or not they are a shareholder, in accordance with the requirements of the Law, these Company Articles of Association and the Regulations of the General Shareholders' Meeting. Proxy representation must be granted in writing or by any other means of distance communication as provided in the Regulations of the General Shareholders' Meeting, provided that they ensure the authenticity and identification of the shareholder thereby granting a proxy. This is without prejudice to Article 187 of the Spanish Corporations Act.

**Article 18.-        *Regarding quorums of constitution and of assistance***

18.1. The General ~~Shareholders'~~ Meeting shall be validly convened ~~at first call when the shareholders present or represented hold at least twenty five percent of the subscribed voting capital. At second call, the Meeting will be constituted with any figure of the capital and attending it~~ with the minimum quorum required by Law, bearing in mind the matters appearing on the agenda.

18.2. ~~For an Ordinary or Extraordinary General Shareholders' Meeting to validly resolve to increase or reduce share capital, and make any amendment to the Articles of Association, issue bonds, remove or restrict pre-emptive subscription rights on new shares, transform, merge, divide or globally assign assets and liabilities and relocate the registered offices abroad, at first call, the shareholders present or represented must hold at least fifty percent of voting capital. At second call they must hold twenty five percent of said capital. When shareholders tend that represent less than fifty percent of the voting capital, the agreements referred to in this section may only validly be taken with the favourable vote of two thirds of the capital present or represented at the Meeting.~~ The General Shareholders' Meeting will take its agreements with the voting majorities required by Law or by these Articles of Association.

**Article 19.-        *Regarding adopting resolutions and their effectiveness***

19.1. Shareholders ~~attending a duly convened General Shareholders' Meeting shall be entitled to reach majority decisions on the matters within their remit.~~ 19.2. Without prejudice to the provisions of Article 17 bis on attendance by electronic means, the vote of they may issue their vote on the proposals ~~on matters~~ relative to points included in the ~~Agenda may be delegated or exercised by the shareholder by postal correspondence or any other means of distance communication, including any means of~~ agenda by post or by electronic communication, ~~as~~

~~provided in the Regulations of the General Shareholders' Meeting, provided the authenticity and identification of the shareholder exercising their right to vote by these means is guaranteed. In both cases, they will be considered present for the effects of constituting the General Shareholders' Meeting.~~

19.2 ~~The~~ For the issue of the postal vote ~~will be issued by sending~~ the shareholder must send the Company ~~a letter setting out the vote, accompanied by~~ duly completed and signed, the card of attendance, delegation and vote issued to them by the entity ~~responsible~~ or entities responsible for processing the register of notes on account.

19.3 Voting by electronic communication will be issued under recognised electronic signature ~~or in~~ another ~~type of guarantee form~~ which the Board of Directors considers ideal for assuring the authenticity and the ~~correct~~ identification of the shareholder exercising their voting right.

19.4 To be deemed valid, votes cast using any of the remote media referred to in the preceding paragraphs must be received by the Company at least forty-eight (48) hours before the scheduled date of the General Shareholders' Meeting at first call.

19.5 Based on the technical and legal grounds facilitating and duly guaranteeing the identity of voting shareholders, the Board of Directors is empowered to develop and supplement the provisions of the Regulations of the General Meeting ~~of Shareholders of the Company~~, establishing ~~the Board~~, according to the status and security offered by any technical means available, the time at which shareholders may vote using remote electronic communication.

~~Shareholders who cast remote votes as provided under this article and the provisions implemented for such purposes by the Board of Directors shall be deemed present for purposes of the constitution of the General Shareholders' Meeting.~~

~~Remote votes cast shall be void in the following cases:~~

- ~~i) — due to subsequent express revocation by the same means within the deadline for issuing the vote;~~
- ~~ii) — due to physical attendance at the Meeting by the shareholder who issued the vote;~~
- ~~iii) — due to the sale of shares that confer voting rights when the Company is aware of this fact at least forty eight hours before the scheduled date of the Shareholders' Meeting at first call.~~

~~19.3 All shareholders, including dissenting shareholders and those not taking part in the meeting, shall be bound by the resolutions of the General Shareholders' Meeting, notwithstanding any objection rights granted by law.~~

**Article 20.-** Regarding the Chairman and the Company Secretary

20.1. The General Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors and, in his/her absence, by the Vice-Chairman of the Board. In the case of attendance at the meeting of several Vice-Chairmen, the Meeting shall be chaired by the Vice-Chairmen heading the order of priority established under the provisions of Article ~~21.6~~21.5 herein. Otherwise, the Meeting shall be chaired by the shareholder elected by the shareholders attending the meeting.

20.2 The Chairman of the General Shareholders' Meeting shall be assisted by the Secretary. The Secretary of the General Shareholders' Meeting shall be the Secretary of the Board of Directors or, in his/her absence, the Deputy Secretary. Failing that, the Secretary of the General Shareholders' Meeting shall be the person appointed in each case by the shareholders attending the Meeting.

20.3. The Secretary of the General Shareholders' Meeting shall draft the minutes of the meeting, which may be approved by the General Shareholders' Meeting following the conclusion of the same or, failing this, within fifteen days by the Chairman and two scrutineers, one representing the majority and the other the minority."

**1.2.- Modification of the following articles of Heading IV, Section 2 ("Regarding The management body") of the Company Articles of Association: article 21 ("Regarding the Board of Direc"), article 22 ("Regarding the duration of the appointment and Directors' retributions"), article 23 ("Regarding the meeting of the Board of Directors"), article 24 ("Regarding the powers of the Board of Directors"), article 25 ("Regarding the Executive Committee"), article 26 ("Regarding the Appointments and Remuneration Committee") and article 27 ("Regarding the Audit Committee").**

*Proposed modification of articles 21, 22, 23, 24, 25, 26 and 27 of the Articles of Association.*

*In particular, it is proposed to modify article 21 for the effects of introducing the changes concerning the appointments of the chairman, vice chairmen, secretary and vice secretaries introduced by Law 31/2014, which must be made after reporting to the Appointments and Remuneration Committee. Similarly, it is proposed to eliminate the reference to the approval of the Annual Financial Statement of Corporate Government to have it developed in the Regulations of the Board of Directors.*

*Technical improvements are made to article 22 which regulates the term of the post and Remuneration of the Directors, in line with the legal changes made by Law 31/2014.*

*It is proposed to change article 23 for the effects of introducing the provision contained in article 245 of the Spanish Corporations Act relative to the obligation of holding four meetings of the Board of Directors a year, and in article 529 four of the Spanish Corporations Act in relation to awarding the representation of the non-executive Directors at meetings of the Board of Directors.*

*With respect to article 24, the only proposal is to modify section 24.3 simplifying the subjects which may not be delegated by the Board of Directors according to law, foreseeing its development in the Regulations of the Board of Directors.*

*In article 25, the specific faculties attributed to the Executive Committee are eliminated, referring to what is provided in the law. Technical improvements are also made.*

*Finally, in articles 26 and 27, which regulate the Appointments and Recruitment Committee and the Audit Committee, respectively, their contents are adapted to the changes brought in by Law 31/2014. The contents are also simplified by referring to the provisions of the law, notwithstanding any development which might be made in the Regulation of the Board of Directors.*

*There follows the text of said articles, indicating the proposed modifications:*

**Article 21.- Board of Directors**

21.1 *The Board of Directors is responsible for the management, governance and representation of the Company, save for those competencies reserved to the General Shareholders' Meeting.*

21.2. *Reporting to the General Shareholders' Meeting, the Board of Directors shall adopt its internal rules of procedure and operation, which shall contain, in accordance with the law and the Articles of Association, specific measures designed to ensure that the Company's business is properly conducted.*

~~21.3. *Likewise, the Board of Directors shall approve a corporate governance report whose contents conform to the laws and implementing regulations thereof.*~~

21.4. *The Board of Directors, ~~elected by the General Shareholders' Meeting,~~ shall comprise at least five and at most fifteen Directors. Determining the exact number of Directors within the limits stated above is the responsibility of the General Shareholders' Meeting.*

~~21.5.~~21.4. *No person subject to any legal prohibition or disqualification may be appointed Director.*

~~21.6:~~21.5. The Board of Directors shall appoint a Chairman from amongst its members and by informing the Appointments and Remuneration Committee, and may designate one or several Vice Chairmen, determining their order of priority. In the absence of a Chairman, the Board shall be chaired by one of the Vice-Chairmen, in the order of priority established, and in the absence of all of the above, by the most senior Director.

~~21.7:~~21.6. The of Directors will, having previously informed the Appointments and Remuneration Committee, appoint a Secretary who does not necessarily have to be a Director and who will deal with processing a book with the minutes of the discussions and all agreements taken by the Board of Directors, which must be signed by the Secretary with the approval of the Chairman or, if necessary, ~~the Vice-chairman, and the signature of the Secretary,~~ and by one of the Vice-chairmen.

~~21.8:~~21.7. The Board of Directors may also appoint having informed the Appointments and Remuneration Committee, a Deputy Secretary, who need not necessarily be a Director, and who shall perform the duties of Secretary in the event of his/her absence or illness.

**Article 22.- Regarding the duration of the appointment and Directors' retributions**

22.1. Directors shall serve for terms of three years. However, they may be reappointed one or more times, for further terms of a maximum of three years.

22.2. If vacancies arise during the term for which Directors were appointed, the Board of Directors may appoint ~~from among the shareholders~~ new members until the next General Shareholders' Meeting takes place.

22.3. The office of Director is remunerated. The Remuneration of the Directors in their posts will consist of a fixed annual assignment and expenses for attending each session of the ~~Company administration body~~Board of Directors and its ~~Committees~~Committees. The Remuneration to be paid by the Company to its Directors collectively in their posts shall not exceed the maximum amount established for that purpose by the General Shareholders' Meeting, which shall remain in force unless amended by the General Shareholders' Meeting. The Board of Directors shall establish the exact amount to be paid within this limit and how it is to be distributed among the Directors, pursuant to the recommendations of the Appointments and Remuneration Committee.

22.4. Additionally, and irrespective of the provisions set forth in the preceding paragraph, remuneration systems referenced to the market price of the shares or involving the delivery of shares or stock options may be established for the Directors. Such systems must be approved by the General Shareholders' Meeting in accordance with legal provisions.

22.5. Regardless of the compensation provided for in the preceding paragraphs derived from membership of the Board of Directors, the Directors with other executive or advisory duties in the Company, whatever the nature of their relationship with it, shall be entitled to remuneration that has been agreed for performing such duties, including, where appropriate, participation in any incentive systems generally established for the senior management of the Company, which may include shares or stock options, or payments indexed to value of the shares, in any case subject to the applicable legal requirements, and participation in the relevant pension plans and insurance premiums. Upon termination, Directors may be entitled, under the terms and conditions approved by the Board of Directors, to appropriate financial compensation.

**Article 23.-      *Regarding the meeting of the Board of Directors***

23.1. The Board of Directors, when called by its Chairman or, in his absence, by its Vice-chairman, will meet with the frequency required by the interests of the Company and at least, once a quarter, and there will be a meeting in the first three months of each financial year for drawing up the annual accounts and the management report corresponding to the year before.

23.2. Notification to the Directors of the meeting and agenda to be discussed, shall be served at least seventy- two (72) hours in advance, except in emergencies at the discretion of the Chairman.

23.3. The call for ordinary meetings of the Board of Directors may be made by registered letter, fax, telegram or e-mail or any legally-valid means proving the date of dispatch of the same. Extraordinary sessions may be convened by telephone with a notice of twenty-four (24) hours, when the Chairman believes that the urgency of the case or special circumstances so warrant.

23.4. The Board of Directors shall be validly convened when more than half ~~plus one~~ of its members are either in attendance or represented.

23.5. The Directors, in the case of absence, may be represented at meetings of the Board by another Director by written proxy, which, insofar as possible, shall contain voting instructions. In any case, non-executive Directors may only grant their representation to another non-executive Director.

23.6. Notwithstanding legal provisions relating to majorities, resolutions are adopted by an outright majority of the Directors attending the meeting. In the event of deadlock, the Chairman has the casting vote.

23.7. Voting in writing without holding a meeting shall only be permitted when no Director objects to this procedure.

23.8. *The Board of Directors meeting may be held in several rooms simultaneously, provided audiovisual or telephone media ensure interactivity and intercommunication between the rooms in real time and, therefore, unity of action. In this case, the meeting notice shall specify the connection system and, if necessary, the location of the technical media to attend and participate in the meeting. The agreements shall be deemed to be adopted at the place where the Chairman is located.*

**Article 24.-        *Regarding the powers of the Board of Directors***

24.1. *Representation of the Company in legal proceedings and elsewhere is the responsibility of the Board of Directors, which shall decide and manage all and any affairs relating to the business and trade of the Company. Therefore, the Board of Directors shall have the broadest powers for the management and administration of the Company, with no limitations or reservations, and it is specifically authorised:*

24.1.1. *To represent the Company before the government, authorities, agencies and offices of all classes and hierarchies, and before any company, corporation or individual, performing the acts and contracts and exercising whatever actions may be necessary to best defend the interests of the Company, and for the development or effectiveness of its business or trade.*

24.1.2. *To call General Shareholders' Meetings.*

24.1.3. *To approve the Annual Financial Statements, Management Report and consolidated documents, if any, to be submitted to the General Shareholders' Meeting, and to propose the application of the result and draft such other documents and reports as are required by applicable legislation.*

24.1.4. *To conduct all operations which, under Article 2 herein, constitute the corporate purpose or contribute to the realisation thereof.*

24.1.5. *To agree the creation, closure, transfer, conveyance and other acts and transactions relating to the offices, delegations and representations of the Company, both in Spain and abroad.*

24.1.6. *To approve the Internal Regulations of the Company, with powers to modify and even repeal such regulations.*

24.1.7. *To draft budgets and authorise expenditures.*

24.1.8. *To enter into contracts of any description.*

24.1.9. *To agree the distribution of interim dividends to shareholders, without the*

*respective financial year having concluded, or prior to the approval of the Annual Accounts, all in accordance with the provisions of applicable legislation.*

- 24.1.10. To acquire, hold, sell, mortgage and encumber all kinds of real estate, real rights of any nature, and to perform, with respect to said property and rights, deeds and contracts, whether civil, commercial or administrative, without restriction, including the creation, modification and cancellation of mortgages and other real rights, as well as the assignment, purchase and transfer of assets and/or liabilities of the Company.*
- 24.1.11. To acquire, dispose of, exchange, transfer, encumber, subscribe and offer all kinds of real estate, securities, shares and bonds, to tender or bid for securities and interests in all kinds of companies or entities.*
- 24.1.12. To incorporate corporations, associations, foundations, subscribing shares or participations, contributing all kinds of goods, and to arrange ownership concentration and cooperation contracts of companies or businesses.*
- 24.1.13. To guarantee or underwrite any obligations, either of the Company or of third parties.*
- 24.1.14. To enter into covenants on property and rights of any description.*
- 24.1.15. To establish the use of available capital.*
- 24.1.16. To take any action, under any circumstances, which it deems appropriate to protect the Company's securities.*
- 24.1.17. To collect any amounts owed to the Company.*
- 24.1.18. To represent the Company, whether as plaintiff or as defendant, before courts of all kinds and before the public administration and administrative tribunals, exercising and upholding all kinds of proceedings and appeals and desisting therefrom when it sees fit.*
- 24.1.19. To file proceedings, complaints, appeals or claims for arbitration, in law or in equity.*
- 24.1.20. To appoint and remove any representatives, agents and employees, establishing their salaries and compensation, and granting bonuses.*
- 24.1.21. To establish and approve the Company's overall strategy.*
- 24.1.22. To approve the Company's investments and divestments.*

24.1.23. To submit to the General Shareholders' Meeting proposals for the amendment or addition of content to these Articles of Association, and for increasing or reducing capital, and matters relating to the extension, merger or early dissolution of the Company.

24.1.24. To agree all matters relating to the Directors of the Company.

24.1.25. To delegate, with the exception of powers which, according to the law or to these Articles of Association, may not be delegated, all or part of its powers in Committees designated to one or more of its Directors, and to confer powers of any description, either joint or joint and several, to any persons it considers expedient, including persons not belonging to the Company.

24.1.26. To interpret the Articles of Association and redress any omissions, reporting to the General Shareholders' Meeting for ratification or rectification of the resolutions adopted in this regard.

24.1.27. To exercise the powers and functions vested in the Board by these Articles of Association or any powers entrusted to the Board by the General Shareholders' Meeting.

24.2. The list contained in the foregoing paragraph 24.1 above is provided merely for illustration purposes and in no way restricts the Board's powers to govern and manage the business and interests of the Company in relation to all matters not specifically reserved for the General Shareholders' Meeting, and should be interpreted in the broadest sense legally possible.

24.3 The Board of Directors may permanently delegate all or part of its powers, except those which by law, or provision in these Articles of Association or its own Regulations may not be delegated, to and Executive Committee and to one or more Managing Directors. Permanent delegation of any of the Board of Directors' powers to the Executive Committee or to one or more Managing Directors and the appointment of the Directors who are to hold such positions shall require the votes of two-thirds of the Board. ~~Notwithstanding the foregoing, the Board may not grant permanent powers to the Managing Director/s in relation to the following matters:~~

~~24.3.1. Calling the General Shareholders' Meeting and setting the agenda.~~

~~24.3.2. Agreeing the distribution to shareholders of interim dividends and reporting to the General Shareholders' Meeting.~~

~~24.3.3. Powers which, in accordance with the law, these Articles of Association or the Regulations of the Board of Directors, are specifically conferred upon the Executive Committee, the Appointments and Remuneration~~

~~Committee and/or the Audit Committee.~~

~~24.3.4. Approval of the Company's overall strategy.~~

~~24.3.5. Approval of treasury stock policies.~~

~~24.3.6. Completion of financing transactions and securing or granting of real or personal guarantees in favour of third parties outside the Company's Group.~~

~~24.3.7. Disposal or encumbrance of any of the business conducted, whether directly or indirectly, by the Company.~~

24.4. The Board shall also set up an Executive Committee, an Appointments and Remuneration Committee and an Audit Committee, all of which to be vested with the powers provided by these Articles of Association, the Board of Directors' Regulations and, where appropriate, the law.

24.5. In addition to those mentioned, the Board of Directors may create all commissions or committees that it deems necessary or expedient for the correct running of the Company and, in such a case, shall set ~~the~~<sup>its</sup> attributions ~~of the Commissions or Committees it designates.~~

#### **Article 25.- Regarding the Executive Committee**

25.1. The Board of Directors may delegate in the Executive Committee, as a collegiate body, the broadest powers of representation, administration, management and disposal and, in general, all powers corresponding to the Board of Directors, except powers which may not be delegated by law, or according to these Articles of Association or the Regulations of the Board of Directors.

~~Notwithstanding the general opportunity for delegation of powers contained in the preceding paragraph, the Executive Committee shall specifically be responsible for the matters described below and may not delegate such powers to another body:~~

~~25.1.1. The approval of any relevant investments or divestments made by the Company;~~

~~25.1.2. Supervision and monitoring of the decisions and actions of the Managing Director~~

~~25.1.3. Any other responsibilities expressly set forth in the Regulations of the Board of Directors.~~

25.2. The Executive Committee shall comprise at least three ~~(3)~~ and at most seven ~~(7)~~ members of the Board. The Executive Committee, ~~which~~ chaired by the Chairman

of the Board of Directors, ~~shall appoint a Secretary who shall draft the minutes of the Committee meetings. The post of Secretary will fall on the person holding the post of Secretary and the person will act as Secretary who is so~~ on the Board of Directors. Likewise, the Executive Committee may appoint a Vice-Chairman from among its members.

25.3. The Executive Committee shall regulate its own operation. In addition, the Executive Committee shall be governed, by the rules applicable to the Board of Directors ~~of the Company~~.

**Article 26.- Regarding the Appointments and Remuneration Committee**

26.1. The Board of Directors will permanently constitute an Appointments and Remuneration Committee, which will be an informative and consulting internal body without executive functions, enabled to inform, advise and propose in its area of action. The Appointments and Remuneration Committee will be enabled as established in Law and in the Board of Directors Regulations.

26.2. The Appointments and Remuneration Committee will be made up of a minimum of three ~~(3) members~~ and a maximum of five ~~(5) non executive members~~ of the Board of Directors, at least two of whom must be independent Directors. The Board of Directors will appoint ~~the~~ Chairman from ~~among the members of the Committee~~. ~~The Appointments and Remuneration Committee shall appoint a Secretary who shall the draft minutes of the Committee meetings. The post of Secretary will fall on such person as might be appointed by the Appointments and Remuneration Committee without having to be a director or a member of the Committee~~ from among the independent Directors forming part of it, and its secretary, who does not have to be a Director.

26.3. The Appointments and Remuneration Committee shall regulate its own operation. In addition, ~~the Appointments and Remuneration Committee~~ shall be governed by the provisions applicable to the Board of Directors ~~of the Company~~.

26.4. The Appointments and Remuneration Committee shall meet whenever the Board of Directors or the Chairman ~~of the Board of Director~~ of this requests the issuance of a Report or the adoption of proposals and, in any case, whenever it is expedient for the proper performance of its duties.

**Article 27.- Regarding the Audit Committee**

27.1. The Audit Committee shall comprise at least three ~~(3) members~~ and at most five ~~(5) non executive members~~ of the Board of Directors, ~~and in any case must be made up mostly of non executive Directors appointed by the Board of Directors at the Appointments and Remuneration Committee's recommendation. At least one of them must be an independent Director and~~ at least two of whom must be independent Directors and one of whom will be designated on account of their

knowledge and experience in accounting, auditing or both.

~~For this purpose, the term "Non-Executive Director" is applicable to any Director who does not perform executive or management roles within the Company or at any of its subsidiaries, and in any case, who does not have an employment, commercial or other relationship with the Company other than as a Director, and has not been vested with stable powers by the Board of Directors or by the Company.~~

27.2. ~~Without prejudice to other tasks assigned to it~~The Audit Committee will have the competencies established in the Law and/or in the Regulation of the Board of Directors, ~~the Audit Committee will have the following faculties of information, supervision, advice and proposal:~~

~~27.2.1. To report to the General Shareholders' Meeting on issues raised by the shareholders concerning matters within its scope of responsibilities.~~

~~27.2.2. To propose to the Board of Directors, for submission to the General Shareholders' Meeting for approval, the appointment of auditors, as provided by law.~~

~~27.2.3. To supervise the efficiency of the Company's internal control system, internal audit and risk management systems, as well as discussing with the auditor any significant weaknesses in the internal control system detected during the course of the audit.~~

~~27.2.4. To supervise the process of compiling and presenting regulatory financial information.~~

~~27.2.5. To liaise with the Company's auditor in order to be informed on any matters that might jeopardise the latter's independence and any others affairs related to the process of auditing, and to be informed and receive from the auditor such communications as are envisaged by audit legislation and technical auditing standards. In any event, the Audit Committee must annually receive from the auditor written confirmation of the latter's independence vis-à-vis the Company or directly or indirectly related companies, as well as information concerning any kind of additional services provided to said companies by the aforementioned auditor, or by persons or entities related thereto, in accordance with the provisions of auditing standards.~~

~~27.2.6. To annually issue, prior to the publication of the auditors' report, a report expressing an opinion on the independence of the auditors. Said report must, in all cases, express an opinion on the provision of additional services to which the previous article refers.~~

~~27.2.7. To assess the contract for the provision of services by auditors of the Company, and to submit proposals and assessment regarding their retribution.~~

~~27.2.8. To perform any other duties expressly attributed to it by the Regulation of the Board of Directors.~~

27.3. The Board of Directors will appoint ~~, from among the non-executive Directors, the person who has to preside~~ the Chairman of the Audit Committee ~~. Said Chairman of the Audit Committee shall be replaced every four years and may be re-elected following a period of one year after leaving the post. The Audit Committee shall appoint a Secretary who shall the draft minutes of the Committee meetings. The post of Secretary will fall on such person as might be appointed by the Appointments and Remuneration Committee without having to be a director or a member of the Committee~~ from among the independent Directors forming part of it, and its secretary, who does not have to be a Director. The post of Chairman of the Audit Committee will exercise for a maximum period of four years, after which they may not be re-elected until at least one year has passed, notwithstanding their continuity of the election as a member of the Committee.

27.4. The Audit Committee shall regulate its own operation. In all other respects it shall be governed by the provisions applicable to the Board of Directors.

27.5. The Audit Committee shall hold at least four ~~(4)~~ ordinary sessions a year. Extraordinarily, the Audit Committee shall meet whenever the Board or the Chairman ~~thereof of this~~ requests the issuance of a report or the adoption of proposals and, in any case, whenever it is expedient for the proper performance of its duties.

## **2. PROPOSAL OF AGREEMENT TO THE GENERAL SHAREHOLDERS' MEETING**

The resolution proposed to the General Meeting of Shareholders, in relation to item eight on the agenda, is literally transcribed below.

**In relation to the fifth point of the agenda: Changes in the Articles of Association to adapt them to the reformation of the Spanish Corporations Act by Law 31/2014 and to make other technical improvements.**

**5.1. Modification of the following articles of Heading IV, Section 1 (“Regarding the General Meeting”) of the Articles of Association: Article 14 (“Regarding the General Meeting. Types of Meeting”), article 15 (“Regarding the calling of the Shareholders’ General Meeting”), article 16 (“Regarding the shareholder’s right to be informed”), article 17 (“Regarding the right to attend the meeting”), article 18 (“Regarding**

*quorums of constitution and of assistance”), article 19 (“Regarding adopting resolutions and their effectiveness”) and article 20 (“Regarding the Chairman and the Company Secretary”).*

In order to adapt its content to Law 31/2014 modifying the Spanish Corporations Act for better corporate government, modify article 14 (“Regarding the General Meeting. Types of Meeting”), article 15 (“Regarding the calling of the Shareholders’ General Meeting”), article 16 (“Regarding the shareholder’s right to be informed”), article 17 (“Regarding the right to attend the meeting”), article 18 (“Regarding quorums of constitution and of assistance”), article 19 (“Regarding adopting resolutions and their effectiveness”) and article 20 (“Regarding the Chairman and the Company Secretary”).of the company Articles of Association which will hereafter be written as follows:

**“Article 14.-      *Regarding the General Meeting. Types of Meeting***

*14.1 The General Shareholders’ Meeting, having been duly called and convened, subject to the provisions set forth in the law and in these Articles of Association, is the governing body of the Company. All shareholders, including dissidents and those who have not participated in the meeting, submit to the agreements of the General Shareholders' Meeting.*

*14.2 The General Shareholders’ Meeting shall approve a Regulation concerning its organisation and operation which, notwithstanding the provisions of the law and these Articles of Association, shall be binding.*

*14.3. The General Shareholders' Meeting will decide on issues attributed to it by the Law, these Company Articles of Association and its own Regulation. Similarly, the General Shareholders' Meeting will decide on any matter which may be submitted to it by the Board of Directors.”*

**“Article 15.-      *Regarding the calling of the Shareholders’ General Meeting***

*15.1. The General Shareholders' Meeting shall be formally called by the Board of Directors by a notice published with the forewarning required by Law. The noticed will be disseminated at least by the following means: (a) The Official Gazette of the Company Register or one of the newspapers of greatest circulation in Spain; (b) the website of the National Securities Market Commission, and; (c) the corporate web site of the Company. The notice shall remain on the Company’s website at least until the General Shareholders' Meeting is held.*

*15.2. All shareholders representing at least three percent of the share capital may ask (a) for a complement to the call to ordinary General Shareholders' Meeting to be published, including one or more points of the agenda, provided the new points are accompanied by justification or a justified agreement proposal, and (b) present well-founded proposals on matters already included or which have to be*

*included in the agenda of the called General Shareholders' Meeting.*

*The exercise of rights referred to in the above paragraph must be made by irrevocable notification to be received at the Company headquarters in the five days following the publication of the call.*

*15.3. The notice shall specify the date of the meeting at first call and all matters to be addressed; it may also state the date on which the General Shareholders' Meeting shall meet at second call, where applicable.*

*15.4. At least twenty-four hours must elapse between the first and second calls.*

*15.5. If the duly called General Shareholders' Meeting is not held at first call and the notice did not announce the date of the second call, this second call shall be advertised in accordance with the same requirements as the first notice, within the fifteen days following the date of the Meeting not held and ten days prior to the date of the meeting to be held at second call.*

*15.6. The Extraordinary General Shareholders' Meeting may be called by the Board of Directors, when deemed appropriate for Company interests, or at the request of shareholders representing at least three percent of share capital and, in this case, the matters to be discussed at the meeting must be provided in the application.*

*15.7. Notwithstanding the preceding paragraphs, the General Shareholders' Meeting shall be construed as having been validly called and convened to discuss any matters, when the entire share capital is in attendance and the attendees unanimously agree to hold the meeting.”*

**“Article 16.- Regarding the shareholder's right to be informed**

*16.1. From the publication of the notice, the Company shall make available the legally required information to shareholders at the registered office and maintain accessible at all times via the Company's website, for the information of shareholders and investors in general.*

*16.2. Until the fifth day before the General Meeting is held, shareholders may request from the Directors such information or clarifications as they consider necessary, or submit such written questions as they deem appropriate regarding the matters on the agenda or the public information that has been provided by the Company to the Spanish Securities Market Commission (CNMV) since the previous General Shareholders' Meeting.*

*16.3. During the General Meeting, the shareholders may verbally ask for all information or clarifications that they require on the matters included in the above section.*

*16.4. The Board of Directors will be obliged to provide the requested information*

*according to the two above sections in the form and within the times provided in Law, and these Company Articles of Association and in the Regulation of the General Shareholders' Meeting, save in cases in which it is unnecessary for the guard of shareholders rights, where there are objective reasons to consider that it could be used for purposes beyond the company all that its publication might damage the Company or related companies. No information may be refused when the request is supported by shareholders representing at least a quarter of the share capital.*

*16.5. In all other matters not provided in these Articles of Association with regard to shareholders' exercising of their right to information, the applicable provisions are those set forth in applicable legislation and in the Regulations of the General Shareholders' Meeting.”*

**“Article 17-      *Regarding the right to attend the meeting***

*17.1. Shareholders holding at least one thousand shares are entitled to attend General Shareholders' Meetings, provided their shares are registered in the relevant record of book entries at least five days before the date on which the Meeting is held.*

*17.2. Shareholders individually failing to reach the minimum number of shares required to attend General Shareholders' Meetings may group their shares in the terms provided in Law and in the Regulations of the General Shareholders' Meeting.*

*17.3. The Company's Directors must attend the General Shareholders' Meeting. In addition, the Chairman may authorise or require the attendance of senior and junior managers, technical staff and other personnel, when deemed appropriate, without prejudice to the powers of the General Shareholders' Meeting to revoke this authorisation.*

*17.4. All shareholders entitled to attend may be represented at the General Shareholders' Meeting by another person, who may or may not be a shareholder, meeting the requirements of the Law, these Company Articles of Association and the Regulations of the General Shareholders' Meeting. Proxy representation must be granted in writing or by any other means of distance communication as provided in the Regulations of the General Shareholders' Meeting, provided that they ensure the authenticity and identification of the shareholder thereby granting a proxy. This is without prejudice to Article 187 of the Spanish Corporations Act.  
”*

**“Article 18.-      *Regarding quorums of constitution and of assistance***

*18.1. The General Shareholders' Meeting will be validly constituted with the minimum quorum required by Law, bearing in mind the matters appearing on the agenda.*

18.2. *The General Shareholders' Meeting will reach agreements with the majorities of votes required by Law or by these Company Articles of Association.*”

**“Article 19.- Regarding adopting resolutions and their effectiveness**

19.1. *Shareholders may vote on the proposals relative to the point of the agenda by post or electronic mail. In both cases, they will be considered present for the effects of constituting the General Shareholders' Meeting.*

19.2 *For issuing a postal vote, the shareholder must send the Company the card of attendance, delegation and vote issued to them by the entity or entities responsible for recording notes on account duly completed.*

19.3. *Shareholders voting electronically shall use the authorised electronic signature or another type of guarantee that the Board of Directors deems appropriate to ensure the authenticity and the correct identification of voting shareholders.*

19.4 *To be deemed valid, votes cast using any of the remote media referred to in the preceding paragraphs must be received by the Company at least forty-eight (48) hours before the scheduled date of the General Shareholders' Meeting at first call.*

19.5 *Based on the technical and legal grounds facilitating and duly guaranteeing the identity of voting shareholders, the Board of Directors is empowered to develop and supplement the provisions of the Regulations of the General Shareholders' Meeting of the Company, with the Board establishing, according to the status and security offered by any technical means available, the time at which shareholders may vote using remote electronic communication.*”

**“Article 20.- Regarding the Chairman and the Company Secretary**

20.1. *The General Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors and, in his/her absence, by the Vice-Chairman of the Board. In the case of attendance at the meeting of several Vice-Chairmen, the Meeting shall be chaired by the Vice-Chairman heading the order of priority established under the provisions of Article 21.5 herein. Otherwise, the Meeting shall be chaired by the shareholder elected by the shareholders attending the meeting.*

20.2 *The Chairman of the General Shareholders' Meeting shall be assisted by the Secretary. The Secretary of the General Shareholders' Meeting shall be the Secretary of the Board of Directors or, in his/her absence, the Deputy Secretary. Failing that, the Secretary of the General Shareholders' Meeting shall be the person appointed in each case by the shareholders attending the Meeting.*

20.3. *The Secretary of the General Shareholders' Meeting shall draft the minutes of the meeting, which may be approved by the General Shareholders' Meeting following*

*the conclusion of the same or, failing this, within fifteen days by the President and two scrutineers, one representing the majority and the other the minority.”*

**5.2.- Modification of the following articles of Heading IV, Section 2 (“Regarding The management body”) of the Articles of Association: article 21 (“Regarding the Board of Directors”), article 22 (“Regarding the duration of the appointment and Directors’ retributions”), article 23 (“Regarding the meeting of the Board of Directors”), article 24 (“Regarding the powers of the Board of Directors”), article 25 (“Regarding the Executive Committee”), article 26 (“Regarding the Appointments and Remuneration Committee”) and article 27 (“Regarding the Audit Committee”).**

*In order to adapt its content to Law 31/2014 modifying the Spanish Corporations Act for the improvement of the corporate government and to make other technical improvements, to change article 21 (“The Board of Directors”), article 22 (“Term of office and remuneration of Directors”), article 23 (“Meetings of the Board of Directors”), article 24 (“Faculties of the Board of Directors”), in article 25 (“The Executive Committee”), article 26 (“The Appointments and Remuneration Committee”) and article 27 (“The Audit Committee”) of the Corporate Articles of Association, which will now be written as follows:*

**“Article 21.- Regarding the Board of Directors**

- 21.1. The Board of Directors is responsible for the management, governance and representation of the Company, save for those competencies reserved to the General Shareholders’ Meeting.*
- 21.2. Reporting to the General Shareholders’ Meeting, the Board of Directors shall adopt its internal rules of procedure and operation, which shall contain, in accordance with the law and the Articles of Association, specific measures designed to ensure that the Company's business is properly conducted.*
- 21.3. The Board of Directors will be made up of a minimum of five Directors and a maximum of fifteen. Determining the exact number of Directors within the limits stated above is the responsibility of the General Shareholders' Meeting.*
- 21.4. No person subject to any legal prohibition or disqualification may be appointed Director.*
- 21.5. The Board of Directors shall appoint a Chairman from amongst its members and by informing the Appointments and Remuneration Committee and may designate one or several Vice Chairmen, determining their order of priority. In the absence of a Chairman, the Board shall be chaired by one of the Vice-Chairmen, in the order of priority established, and in the absence of all of the above, by the most senior Director.*

- 21.6. *The Board of Directors shall appoint a Secretary, having notified the Appointments and Remuneration Committee, who need not necessarily be a Director and who shall be responsible for drafting the minutes recording the deliberations and resolutions adopted by the Board of Directors. The minutes must be approved by the Chairman, and in his/her absence, by one of the Vice-Chairmen, and must be signed by the Secretary.*
- 21.7. *The Board of Directors may also appoint a Deputy Secretary, having informed the Appointments and Remuneration Committee, who need not necessarily be a Director, and who shall perform the duties of Secretary in the event of his/her absence or illness.”*

**Article 22. *Regarding the duration of the appointment and Directors’ retributions***

- 22.1. *Directors shall serve for terms of three years. However, they may be reappointed one or more times, for further terms of a maximum of three years.*
- 22.2. *If vacancies arise during the term for which Directors were appointed, the Board of Directors may appoint new members from among the shareholders until the next General Shareholders’ Meeting takes place.*
- 22.3. *The office of Director is remunerated. The remuneration of Directors consists of an annual fixed fee for attending each meeting of the Board of Directors and its Committees. The compensation to be paid by the Company to its Directors collectively shall not exceed the maximum amount established for that purpose by the General Shareholders’ Meeting, which shall remain in force unless amended by the General Shareholders’ Meeting. The Board of Directors shall establish the exact amount to be paid within this limit and how it is to be distributed among the Directors, pursuant to the recommendations of the Appointments and Remuneration Committee.*
- 22.4. *Additionally, and irrespective of the provisions set forth in the preceding paragraph, remuneration systems referenced to the market price of the shares or involving the delivery of shares or stock options may be established for the Directors. Such systems must be approved by the General Shareholders’ Meeting in accordance with legal provisions.*
- 22.5. *Regardless of the compensation provided for in the preceding paragraphs derived from membership of the Board of Directors, the Directors with other executive or advisory duties in the Company, whatever the nature of their relationship with it, shall be entitled to remuneration that has been agreed for performing such duties, including, where appropriate, participation in any incentive systems generally established for the senior management of the Company, which may include shares or stock options, or payments indexed to value of the shares, in any case subject to*

*the applicable legal requirements, and participation in the relevant pension plans and insurance premiums. Upon termination, Directors may be entitled, under the terms and conditions approved by the Board of Directors, to appropriate financial compensation."*

**"Article 23. Regarding the meeting of the Board of Directors**

- 23.1. *The Board of Directors shall meet when convened by its Chairman or, failing that, the Vice-Chairman, as often as advised by the interests of the Company, and at least once within the first three months of each financial year for the required approval of the Annual Financial Statement and Management Report for the previous year.*
- 23.2. *Notification to the Directors of the meeting and agenda to be discussed shall be served at least seventy- two (72) hours in advance, except in emergencies at the discretion of the Chairman.*
- 23.3. *The call for ordinary meetings of the Board of Directors may be made by registered letter, fax, telegram or e-mail or any legally-valid means proving the date of dispatch of the same. Extraordinary sessions may be convened by telephone with a notice of twenty-four (24) hours, when the Chairman believes that the urgency of the case or special circumstances so warrant.*
- 23.4. *The Board of Directors shall be validly convened when half plus one of its members are either in attendance or represented.*
- 23.5. *The Directors, in the case of absence, may be represented at meetings of the Board by another Director by written proxy, which, insofar as possible, shall contain voting instructions. In any case, non-executive Directors may only grant their representation to another non-executive Director.*
- 23.6. *Notwithstanding legal provisions relating to majorities, resolutions are adopted by an outright majority of the Directors attending the meeting. In the event of deadlock, the Chairman has the casting vote.*
- 23.7. *Voting in writing without holding a meeting shall only be permitted when no Director objects to this procedure.*
- 23.8. *The Board of Directors meeting may be held in several rooms simultaneously, provided audiovisual or telephone media ensure interactivity and intercommunication between the rooms in real time and, therefore, unity of action. In this case, the meeting notice shall specify the connection system and, if necessary, the location of the technical media to attend and participate in the*

*meeting. The agreements shall be deemed to be adopted at the place where the Chairman is located."*

**Article 24.- Regarding the powers of the Board of Directors**

***The faculties of the Board of Directors***

*24.1. Representation of the Company in legal proceedings and elsewhere is the responsibility of the Board of Directors, which shall decide and manage all and any affairs relating to the business and trade of the Company. Therefore, the Board of Directors shall have the broadest powers for the management and administration of the Company, with no limitations or reservations, and it is specifically authorised:*

*24.1.1. To represent the Company before the government, authorities, agencies and offices of all classes and hierarchies, and before any company, corporation or individual, performing the acts and contracts and exercising whatever actions may be necessary to best defend the interests of the Company, and for the development or effectiveness of its business or trade.*

*24.1.2. To call General Shareholders' Meetings.*

*24.1.3. To approve the Annual Financial Statements, Management Report and consolidated documents, if any, to be submitted to the General Shareholders' Meeting, and to propose the application of the result and draft such other documents and reports as are required by applicable legislation.*

*24.1.4. To conduct all operations which, under Article 2 herein, constitute the corporate purpose or contribute to the realisation thereof.*

*24.1.5. To agree the creation, closure, transfer, conveyance and other acts and transactions relating to the offices, delegations and representations of the Company, both in Spain and abroad.*

*24.1.6. To approve the Internal Regulations of the Company, with powers to modify and even repeal such regulations.*

*24.1.7. To draft budgets and authorise expenditures.*

*24.1.8. To enter into contracts of any description.*

*24.1.9. To agree the distribution of interim dividends to shareholders, without the respective financial year having concluded, or prior to the approval of the Annual Financial Statements, all in accordance with the provisions of applicable legislation.*

- 24.1.10. *To acquire, hold, sell, mortgage and encumber all kinds of real estate, real rights of any nature, and to perform, with respect to said property and rights, deeds and contracts, whether civil, commercial or administrative, without restriction, including the creation, modification and cancellation of mortgages and other real rights, as well as the assignment, purchase and transfer of assets and/or liabilities of the Company.*
- 24.1.11. *To acquire, dispose of, exchange, transfer, encumber, subscribe and offer all kinds of real estate, securities, shares and bonds, to tender or bid for securities and interests in all kinds of companies or entities.*
- 24.1.12. *To incorporate corporations, associations, foundations, subscribing shares or participations, contributing all kinds of goods, and to arrange ownership concentration and cooperation contracts of companies or businesses.*
- 24.1.13. *To guarantee or underwrite any obligations, either of the Company or of third parties.*
- 24.1.14. *To enter into covenants on property and rights of any description.*
- 24.1.15. *To establish the use of available capital.*
- 24.1.16. *To take any action, under any circumstances, which it deems appropriate to protect the Company's securities.*
- 24.1.17. *To collect any amounts owed to the Company.*
- 24.1.18. *To represent the Company, whether as plaintiff or as defendant, before courts of all kinds and before the public administration and administrative tribunals, exercising and upholding all kinds of proceedings and appeals and desisting therefrom when it sees fit.*
- 24.1.19. *To file proceedings, complaints, appeals or claims for arbitration, in law or in equity.*
- 24.1.20. *To appoint and remove any representatives, agents and employees, establishing their salaries and compensation, and granting bonuses.*
- 24.1.21. *To establish and approve the Company's overall strategy.*
- 24.1.22. *To approve the Company's investments and divestments.*
- 24.1.23. *To submit to the General Shareholders' Meeting proposals for the amendment or addition of content to these Articles of Association, and*

*for increasing or reducing capital, and matters relating to the extension, merger or early dissolution of the Company.*

*24.1.24. To agree all matters relating to the Directors of the Company.*

*24.1.25. To delegate, with the exception of powers which, according to the law or to these Articles of Association, may not be delegated, all or part of its powers in Committees designated to one or more of its Directors, and to confer powers of any description, either joint or joint and several, to any persons it considers expedient, including persons not belonging to the Company.*

*24.1.26. To interpret the Articles of Association and redress any omissions, reporting to the General Shareholders' Meeting for ratification or rectification of the resolutions adopted in this regard.*

*24.1.27. To exercise the powers and functions vested in the Board by these Articles of Association or any powers entrusted to the Board by the General Shareholders' Meeting.*

*24.2. The list contained in the foregoing paragraph 24.1 above is provided merely for illustration purposes and in no way restricts the Board's powers to govern and manage the business and interests of the Company in relation to all matters not specifically reserved for the General Shareholders' Meeting, and should be interpreted in the broadest sense legally possible.*

*24.3 The Board of Directors may permanently delegate all or part of its powers, except those which by law, or provision in these Articles of Association or its own Regulations may not be delegated, to one or more Managing Directors. Permanent delegation of any of the Board of Directors' powers to the Executive Committee or one or more Managing Directors and the appointment of the Directors who are to hold such positions shall require the votes of two-thirds of the Board.*

*24.4. The Board shall also set up an Executive Committee, an Appointments and Remuneration Committee and an Audit Committee, all of which to be vested with the powers provided by these Articles of Association, the Board of Directors' Regulations and, where appropriate, the law.*

*24.5. In addition to the above, the Board may set up any Commissions and Committees it deems fit or expedient to guarantee the proper operation of the Company, in which case it must designate their responsibilities."*

**Article 25. Regarding the Executive Committee**

- 25.1. *The Board of Directors may delegate in the Executive Committee, as a collegiate body, the broadest powers of representation, administration, management and disposal and, in general, all powers corresponding to the Board of Directors, except powers which may not be delegated by law, or according to these Articles of Association or the Regulations of the Board of Directors.*
- 25.2. *The Executive Committee shall comprise at least three and at most seven members of the Board. The Executive Committee will be presided by the Chairman of the Board of Directors and the Secretary of the Board of Directors will act as its Secretary. Likewise, the Executive Committee may appoint a Vice-Chairman from among its members.*
- 25.3. *The Executive Committee shall regulate its own operation. In addition, the Executive Committee shall be governed by the rules applicable to the Board of Directors of the Company."*

**Article 26.- Regarding the Appointments and Remuneration Committee**

- 26.1. *The Board of Directors will permanently constitute an Appointments and Remuneration Committee, which will be an informative and consulting internal body without executive functions, enabled to inform, advise and propose in its area of action. The Appointments and Remuneration Committee will be enabled as established in Law and in the Board of Directors Regulations.*
- 26.2. *The Appointments and Retribution Committee will be made up of a minimum of three and a maximum of five non-executive members of the Board of Directors, at least two of whom must be independent Directors. The Board of Directors will appoint the Chairman of the Appointments and Retribution Committee from amongst the Independent Directors that form part of it, and also its secretary, not necessarily a Director.*
- 26.3. *The Appointments and Remuneration Committee shall regulate its own operation. In all other respects it shall be governed by the provisions applicable to the Board of Directors.*
- 26.4. *The Appointments and Remuneration Committee shall meet whenever the Board of Directors or the Chairman of the Board requests the issuance of a Report or the adoption of proposals and, in any case, whenever it is expedient for the proper performance of its duties."*

**Article 27. Regarding the Audit Committee**

- 27.1. *The Audit Committee will be made up of a minimum of three and a maximum of five non-executive members of the Board of Directors, two of whom at least must be independent Directors and one being appointed in consideration of their knowledge and experience in accounting, auditing or both.*
- 27.2. *The Audit Committee will be enabled as established in Law and in the Board of Directors Regulations.*
- 27.3. *The Board of Directors will appoint the Chairman of the Audit Committee from amongst the Independent Directors that form part of it, and also its secretary, not necessarily a Director. The post of Chairman of the Audit Committee will exercise for a maximum period of four years, after which they may not be re-elected until at least one year has passed, notwithstanding their continuity of the election as a member of the Committee.*
- 27.4. *The Audit Committee shall regulate its own operation. In all other respects it shall be governed by the provisions applicable to the Board of Directors.*
- 27.5. *The Audit Committee shall hold at least four ordinary meetings per year. Extraordinarily, the Audit Committee shall meet whenever the Board or the Chairman thereof requests the issuance of a report or the adoption of proposals and, in any case, whenever it is expedient for the proper performance of its duties."*

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Madrid, [✱] March 2015