

REGULATIONS OF THE BOARD OF DIRECTORS OF PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.

Chapter I PRELIMINARY

Article 1. Purpose

1. The Regulations of the Board of Directors (“**Regulations**”) of PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. (the “**Company**”) aim to establish the principles of action of the Board, its basic organisational and operational rules and the rules of conduct for its members.
2. The rules of conduct herein shall apply to the Company's senior executives to the extent that they are compatible with the specific nature of the executive position.

Article 2. Interpretation

The present Regulations shall be construed in compliance with the applicable legal regulations and by-laws as well as good governance principles and recommendations for listed companies which have been issued by the Government.

Article 3. Alterations

1. The present Regulations can only be changed at the request of the Chairman, three directors or the Audit Committee. Any proposal for change must be submitted with a justification report.
2. The Audit Committee must draw up a report on any proposals for alterations.
3. The proposal's text, the justification report and, when appropriate, the report by the Audit Committee must be sent together with the call for the Board of Directors meeting that will make a decision on the proposal.

The call for the meeting shall be sent at least seven days in advance except for emergency situations. However, the call can never be sent less than three days in advance.

4. The Regulations can only be changed if two thirds of the directors who attend the meeting agree with the alteration.

Article 4. Dissemination

1. The directors and senior executives must be aware of, comply with and enforce these Regulations. For this purpose, the Board's Secretary shall provide a copy of these Regulations to all directors and senior executives.
2. The Board of Directors shall ensure that the Regulations are disseminated amongst the shareholders and investors in general.

Chapter II MISSION OF THE BOARD OF DIRECTORS

Article 5. General Supervisory Role

1. Except for the matters which are reserved for the General Shareholders' Meeting, the Board of Directors is the Company's top decision-making body.
2. As a general rule, the Board of Directors delegates ordinary management of the Company to the executive bodies and management team and focuses on its general supervisory role.
3. Delegation of powers excludes any powers that must be exclusively and directly reserved for the Board of Directors in compliance with the law or by-laws, or powers that require a general supervisory role.

Consequently, the Board of Directors undertakes to carry out the following duties directly:

- a) Supervise the operation of any committees the Board of Directors may have formed as well as the conduct/performance of delegate bodies and executives that the Board of Directors may have appointed.
- b) Determine the Company's general policies and strategies, specifically:
 - (i) the strategic or business plan as well as the annual management goals and budget;
 - (ii) the investment and funding policy;
 - (iii) the structural definition of the group of companies;
 - (iv) the corporate governance policy for the Company and the group the Company is the parent company of;
 - (v) the corporate social responsibility policy;
 - (vi) the remuneration and performance assessment policy for senior

executives;

(vii) the policy on treasury shares and, particularly, its limits;

(viii) the dividend policy;

(ix) the risk control and management policy (including fiscal risks) and the supervision of internal information and control systems.

- c) Authorise or waive obligations derived from the duty of fidelity in accordance with Article 230 of the Spanish Companies Act.
- d) Supervise its own organisation and operation.
- e) Draw up the financial statement and present it to the Shareholders' Meeting.
- f) Draw up any type of report which legislation requires of the board of directors, provided that the operation the report refers to cannot be delegated.
- g) Appoint and terminate the appointment of the Company's managing directors and define the terms and conditions of their contracts.
- h) Appoint and terminate the appointment of executives that report directly to the Board of Directors or any of the directors, and define the basic contractual terms and conditions, including remuneration.
- i) Make decisions about the remuneration for directors in accordance with the by-laws and the remuneration policy approved at the Shareholders' Meeting.
- j) Convene the General Shareholders' Meeting and draft its agenda and proposed decisions.
- k) Carry out the duties delegated by the Shareholders' Meeting to the Board of Directors unless the Board of Directors has been expressly authorised by the Shareholders' Meeting to sub-delegate said duties.
- l) Organise and supervise the operation of the Board of Directors, specifically with regard to approving and altering these Regulations.
- m) Approve financial information which the Company must disclose periodically as required by its status as a listed company.
- n) Define the structure of the group of companies the Company is the parent company of.
- o) Approve investments or any type of transaction that is of strategic nature or poses a special tax risk due to the amounts involved or its special

characteristics, unless they must be approved by the Shareholders' Meeting.

- p) Approve the creation or acquisition of shares in special purpose vehicles or companies headquartered in countries or territories that are considered to be tax havens; and any transactions or operations of analogous nature that, due to their complexity, can compromise the Company's transparency and the transparency of its group.
 - q) After a report has been submitted by the Audit Committee, approve the transactions completed between the Company or the group's companies and its directors (in compliance with Articles 229 and 230 of the Spanish Companies Act), or shareholders that hold a significant equity participation (either individually or as a group), including shareholders that are represented in the Company's Board of Directors or the Board of Directors of other companies in the same group, or transactions with people related to these ("related-party transactions"), in accordance with the terms and conditions herein.
 - r) Determine the Company's fiscal strategy.
 - s) Make any other decisions specifically stipulated herein.
4. Notwithstanding the foregoing, in case of duly justified emergency, delegate bodies or individuals may make decisions about the matters above. These decisions must subsequently be ratified by the first Board of Directors meeting held after the decision is made.

Article 6. Creating Value for Shareholders

1. The Board of Directors shall perform its duties with the same aim in mind and using independent judgement and shall apply equal treatment to shareholders in the same position. The Board of Directors shall be guided by the corporate interest, i.e. a business that is profitable and sustainable in the long term which promotes business continuity and maximisation of corporate value.
2. Following from the above, the Board of Directors shall determine and review the Company's business and financial strategies in accordance with the following:
 - a) New investment projects must be adopted based on obtaining an appropriate return against the Company's cost of capital.
 - b) Free cash flow that is not necessary for new investment projects or for maintaining the Company's financial robustness must be distributed among the shareholders.
3. As for corporate organisation, the Board of Directors shall adopt the measures that are necessary to ensure that:

- a) the Company's management seeks to create value for the shareholders and is appropriately incentivised to do so;
- b) the Company's management is under effective supervision of the Board of Directors;
- c) no individual or small group of individuals has decision-making power that is not subject to counterweights and controls;
- d) no shareholder receives special treatment when compared to other shareholders; and
- e) relationships with the Company's shareholders and stakeholders are conducted in compliance with the law, regulations that govern the Company and the customs and good practices of securities markets.

Article 7. Other Interests

While striving for the corporate interest, the Board of Directors must observe applicable regulations and act in good faith, ethically and in compliance with the commonly accepted customs and good practices. Additionally, the Board of Directors must try to balance the corporate interest with, as appropriate, the legitimate interests of employees, suppliers/providers, customers and other affected stakeholders. The Board of Directors must also bear in mind the impact of Company's activities on the community as a whole as well as the environment.

Chapter III COMPOSITION OF THE BOARD OF DIRECTORS

Article 8. Qualitative Composition

1. The Company directors are classified in directors, non-directors and external, the latter of which can be nominated, independent or other external in accordance with the law.
2. When submitting proposals to the General Shareholders' Meeting and co-opting to fill vacancies, the Board of Directors shall endeavour to include in its composition a large majority of external directors and to ensure that the number of executive directors is as low as possible. This circumstance is demanded by the complexity of the group of companies and the percentage of shares held by the executive directors.
3. The Board of Directors shall endeavour to ensure that the number of independent directors accounts for at least one third of all directors.
4. In view of attaining a reasonable balance between the number of nominated directors and all other non-executive directors, the Board of Directors shall consider

the Company's ownership structure. Consequently, the percentage of nominated directors over the total number of non-executive directors shall not be higher than the ratio between the Company's capital represented by these directors and the remaining capital, without prejudice to the cases when this criterion must be mitigated.

Article 9. Quantitative Composition

1. The Board of Directors shall consist of the number of directors established by the General Shareholders' Meeting in accordance with the limits set forth in the Company's by-laws.
2. The Board of Directors shall submit to the General Shareholders' Meeting the number of directors that, based on the changing business circumstances, is the most appropriate to ensure representativeness and efficient operation. The proposed number of directors shall never be higher than fifteen.

Chapter IV STRUCTURE OF THE BOARD OF DIRECTORS

Article 10. Chair of the Board of Directors

1. The Chair is the Company's most senior representative. This is a fundamental role to be able to achieve, maintain and promote the efficient performance of tasks and responsibilities by the Board of Directors and its members and to ensure that the necessary conditions for this to occur are in place. The Chair leads the Board of Directors and plays a vital role in developing the Company's strategy (while observing executive responsibilities). In addition to the duties set forth in the law, corporate by-laws, the regulations of the General Shareholders' Meeting and these regulations, the Chair shall perform the following duties:
 - a) Convene and chair Board of Directors meetings in compliance with the company by-laws and these regulations; define the meetings' agenda and oversee the debates and decisions.
 - b) Prepare and submit a schedule and topics to the Board of Directors.
 - c) Chair the General Shareholders' Meeting and oversee the debates and decisions.
 - d) Submit any proposals to the Board of Directors that the Chair deems appropriate for the correct operation of the Company and particularly proposals that refer to the operation of the Board of Directors itself and any other corporate bodies; propose the appointment of internal positions within the Board of Directors.
 - e) Govern the Board of Directors and define its agenda based on all relevant

aspects and the concerns of its members.

- f) Ensure that all directors receive accurate, timely and clear information, particularly about the Company's operation, its strategy, challenges and opportunities so as to make it possible for the Board of Directors to make appropriate decisions and oversee the Company's performance.
- g) Ensure effective communication between the shareholders and the markets.
- h) Ensure that the Board of Directors allocates enough and adequate time to discuss complex, sensitive or relevant topics; if advisable, convene informal meetings with directors, executives and consultants to prepare meetings and debates within the Board of Directors.
- i) Lead training and introductory processes aimed at new directors and ensure that they are complete and personalised.
- j) Identify and fulfil individual development needs of directors as well as the development needs of the Board of Directors as a whole with the aim of increasing its effectiveness as a team.
- k) Ensure that the performance of directors, the Board of Directors as a whole and the Board's Committees is assessed at least once a year.
- l) Organise and coordinate the periodic assessment of the Company's top executive.
- m) Promote the active commitment of all directors to performing their duties responsibly, diligently and loyally.
- n) Lead the debates within the Board of Directors so as to promote effective decision-making and constructive discussions about the Company's development, its strategy and goals.
- o) Support and give advice to the Managing Director with regard to the Company's strategy and operations, including the preparation of any Board discussion about the Company's strategy.
- p) Oversee the correct implementation of the Board's decisions.
- q) Act as the Company's senior representative before public bodies and external bodies.
- r) Oversee the Company's corporate communications policy.
- s) In general, promote the highest corporate governance standards and ensure that they are complied with by the Board of Directors.

2. The Chair has the ordinary power of convening the Board of Directors, drawing up the agenda and overseeing the debates. Nevertheless, the Chair must convene the Board of Directors at the request of the Vice Chair and three or more directors or add new items to the agenda at the request of any director. Additionally, as the person responsible for ensuring correct operation of the Board of Directors, the Chair must ensure that all directors receive all necessary and sufficient information in advance of the meetings so that they can perform their role and stimulate discussions and active participation during the Board sessions. Furthermore, together with the chairs of the Appointments and Remuneration Committee and the Audit Committee, the Chair shall organise and coordinate the periodic assessment of the Board of Directors and, when appropriate, the top executive.
3. Without prejudice to the powers assigned to the Board's Chair and Vice Chair as a consequence of the previous sections, the Board of Directors (with the abstention of executive directors) may appoint an independent director as coordinating director. This must be done when the Chair is also the executive director.
4. The coordinating director shall perform the following:
 - a) Request that the Board of Directors be convened or new items be added to the agenda of a convened Board session.
 - b) Coordinate and arrange meetings between non-executive directors and convey their concerns to the Board's Chair.
 - c) Preside over the Board of Directors in the absence of the Chair and Vice Chairs if they exist.
 - d) Maintain contact with investors and shareholders to determine their points of view so as to form an opinion about their concerns, particularly with regard to the Company's corporate governance.
 - e) Coordinate the succession plan for the Chair of the Board of Directors.
 - f) Oversee the periodic assessment of the Chair of the Board of Directors.

Article 11. Vice Chair of the Board of Directors

1. The Board of Directors may choose one or more of its members as Vice Chair(s) to temporarily replace the Chair of the Board of Directors if the role is vacant, the Chair is absent, ill or cannot attend the meeting.
2. The Vice Chair shall convene the Board if the Chair has not responded to the request therefor.
3. In the event that there is more than one Vice Chair, the Chair shall be replaced by the appropriate Vice Chair as per the order defined on appointment. In this case, the

First Vice Chair shall replace the Chair.

Article 12. Secretary of the Board of Directors

1. The Secretary of the Board of Directors must not necessarily be a director.
2. The Secretary shall assist the Chair and help to ensure that the Board of Directors operates correctly. In particular, the Secretary shall advise the directors and supply them with any necessary information, keep and maintain the corporate documentation, write down the sessions in the minutes logs and testify to the Board's decisions.
3. The Secretary shall always guarantee the formal and material legality of the Board's actions and ensure that its governance procedures and rules are observed and revised regularly. Additionally, the Secretary shall ensure that the Board's actions comply with the corporate by-laws, the regulations of the General Shareholders' Meeting and the Board of Directors and the recommendations for good corporate governance.
4. The proposal for appointing and removing a Secretary shall be submitted by the Appointments and Remuneration Committee and approved by the full session of the Board of Directors.

Article 13. Vice Secretary of the Board of Directors

1. The Board of Directors may appoint a Vice Secretary, who may not necessarily be a director, that will provide assistance to the Secretary of the Board and replace the Secretary in the Secretary's absence.
2. Unless otherwise decided by the Board of Directors, the Vice Secretary may attend the Board meetings to aid the Secretary in recording the meetings.

Article 14. Delegate Bodies of the Board of Directors and Monitoring Committees

1. Without prejudice to any powers delegated individually to the Chair or any other director (managing directors) and the Board's ability to form delegate committees for specific areas, the Board of Directors may form an Executive Committee with general decision-making powers.

Furthermore, the Board of Directors must create an Audit Committee and an Appointments and Remuneration Committee. The Board may also create other committees or monitoring committees with their corresponding powers determined by the Board.

2. The Appointments and Remuneration Committee shall assess the right profile for the committee members and shall submit its proposals to the Board of Directors. In any case, it will take into account the suggestions of both the Chair and Vice Chair.

3. The committees oversee their own operation and meet at the request of the Chair. If no specific provisions have been made, the operational rules herein shall apply on condition that they are compatible with the committee's nature and function.

Article 15. Executive Committee

1. The Executive Committee consists of between three and seven directors.
2. Members of the Executive Committee shall be appointed with the favourable votes of at least two thirds of the Board members.
3. The Chair of the Board of Directors shall act as Chair of the Executive Committee and the Secretary of the Board shall act as Secretary of the Committee. The Secretary may be assisted by the Vice Secretary.
4. Permanent delegation of powers by the Board of Directors to the Executive Committee shall refer to all of the Board's powers except for the powers which may not be delegated for legal reasons or pursuant to the corporate bylaws, or powers that may not be delegated due to the provisions herein.
5. The Executive Committee shall hold at least seven ordinary sessions every year.
6. If the Chair or three members of the Executive Committee consider that the topic's importance so requires, the decisions made by the Executive Committee shall be submitted for ratification to the full session of the Board of Directors. The same applies to matters that the Board of Directors has forwarded to the Executive Committee for analysis but reserves final decision thereon. In any other case, the decisions made by the Executive Committee shall be valid and binding without subsequent ratification by the full session of the Board of Directors.
7. The Executive Committee must inform the Board of Directors of any matters discussed and decisions made. Additionally, the Committee's minutes must be available to the directors.

Article 16. Audit Committee

1. The Audit Committee consists of between three and five non-executive directors appointed by the Board of Directors. They must have the dedication, skills and experience necessary for performing their duties in the Committee. The members of the Audit and Compliance Committee, especially its chair, shall be appointed based on their knowledge and experience in accounting, auditing or risk management. The majority of the members of the Audit Committee must be independent directors and at least one of them must be appointed based on his/her knowledge and experience of accounting, auditing or both.
2. The Board of Directors shall appoint the Chair of the Audit Committee from among the independent directors that are part of the Committee. The Committee shall

choose a Secretary who does not need to be a director or a member of the Committee.

The Chair of the Audit Committee is elected for a term of up to four years. At the end of this period, the Chair may not be re-elected until at least one year has elapsed since his/her term without prejudice to the possibility of holding his/her position as a Committee member or being re-elected as one.

3. Without prejudice to the duties assigned by the company by-laws or Board of Directors, the Audit Committee shall perform the following basic duties:
 - a) Inform the General Shareholders' Meeting about matters that relate to the Committee's scope of action particularly the outcome of audits. The Committee shall explain how the audit contributed to the integrity of financial information and the Committee's role in the process.
 - b) Ensure that the Board of Directors seeks to present a financial statement to the General Shareholders' Meeting based on an audit report with no limitations or reservations. In the exceptional event of reservations, the Chair of the Audit Committee must explain the situation and ensure that the auditors clearly explain the content and scope of these limitations and reservations to the shareholders.
 - c) Submit proposals for selecting, appointing, re-electing and replacing external auditors to the Board of Directors; assume responsibility for applying the selection process in accordance with the legal requirements, and assume responsibility for the contractual terms and conditions and for regularly collecting information from the auditor about the audit plan and its execution; and ensure the independent performance of its duties.
 - d) As for the external auditor: (i) if the external auditor resigns, analyse the circumstances behind this decision; (ii) ensure that the external auditor's remuneration does not compromise the quality or independence of his/her work; (iii) oversee that the Company informs the Spanish National Securities Market Commission of the change of auditor as a relevant fact and adds a statement about any potential disagreements with the auditor and, if applicable, explains the nature of these disagreements; (iv) ensure that the external auditor meets with the full session of the Board of Directors on a yearly basis to report about his/her work and the progress of the Company's accounting situation and risks; (v) oversee compliance with the auditing contract and ensure that the opinion about the financial statement and the main content of the audit report is written clearly and accurately; and (vi) ensure that the Company and the external auditor comply with applicable rules on audit service provision, limits on concentration of auditing business and, in general, all other rules about the independence of auditors.

- e) Establish and maintain adequate relationships with the external auditor so as to receive information about any issues that may pose a threat to the auditor's independence, which will then be assessed by the Committee; and any other information in relation to account auditing; when appropriate, authorise services that are not prohibited pursuant to the law; and any other communications stipulated in the account auditing legislation and auditing rules. In any case, the Audit Committee must receive an annual declaration from the account auditor regarding their independence from the company or companies that are directly or indirectly linked to the Audit Committee. The auditor must also provide detailed and individual information about any additional services that have been provided by the auditor and paid for by these companies, or any additional services provided by individuals or companies linked to the auditor pursuant to the legislation in force.
- f) Issue an annual report, before the account audit report, in which it declares whether or not the auditor's independence is compromised. In all events, this report must contain an opinion about the substantiated assessment of the provision of each and every additional service mentioned above (individually and as a group), which is different from legal auditing and in connection with the independence system or the regulations on account auditing.
- g) Supervise internal auditing particularly (i) guarantee that internal auditing is independent and efficient; (ii) propose the selection, appointment and termination of appointment of the manager of the internal audit service; (iii) propose the budget for the service; (iv) review the annual work plan for internal auditing and the annual activity report; (v) receive periodic information about its activities; and (vi) verify that senior management takes the conclusions and recommendations in its reports into account.
- h) Oversee the preparation and presentation of mandatory financial information and submit recommendations or proposals to the administration body aimed at safeguarding integrity. In connection to this, the Committee is responsible for overseeing preparation and integrity of the financial information about the Company and the Group: review compliance with regulations, and ensure correct delimitation of the consolidation perimeter and the correct application of accounting criteria. The Board of Directors must be duly informed.
- i) Oversee the efficacy of the Company's internal control and the risk management systems (including tax risks) and discuss any significant weaknesses of the internal control system with the account auditor which have been detected during auditing. Independence must never be compromised. Following from this, and when appropriate, the Committee must submit recommendations or proposals to the Board of Directors and indicate the follow-up time frame. In this context, it must propose the risk control and management policy to the Board of Directors. This policy must at least identify: (i) the type of risk (operational, technological, financial, legal and reputational)

which the Company faces; (ii) set the risk level which the Company deems to be acceptable; (iii) the measures for mitigating the impact of identified risks were they to materialise; and (iv) the control and information systems used to control and manage risks.

- j) Oversee the operation of the risk control and management unit which must: (i) guarantee that the risk control and management systems work properly, specifically guaranteeing that all major risks affecting the Company are identified, managed and quantified; (ii) actively participate in drawing up the risk strategy and making important decisions about risk management; and (iii) ensure that the risk control and management systems mitigate risks appropriately and in accordance with the policy defined by the Board of Directors.
- k) Analyse and report on the economic conditions, accounting impact and, when appropriate, proposed exchange ratio for operations that involve structural and corporate changes and have been planned by the Company, before they are submitted to the Board of Directors.
- l) Inform the Board of Directors beforehand of any matters required by law and the corporate by-laws, specifically: (i) the financial information which the Company must disclose periodically; and (ii) creation or acquisition of equity participation in special purpose vehicles or companies headquartered in countries or territories that are considered to be tax havens.
- m) Review offering prospectuses and any other relevant information that the Board of Directors must supply to the markets and its supervisory bodies.
- n) Establish and oversee a system that allows employees to report potentially relevant irregularities, particularly financial and accounting irregularities, within the Company. This system must be confidential and, if possible and appropriate, anonymous.
- o) Periodically assess the suitability of the Company's corporate governance system with the aim of ensuring that it fulfils the mission of promoting the corporate interest and considers, as appropriate, the legitimate interests of all other stakeholders; propose improvements; and oversee compliance with internal codes of conduct and the Company's corporate governance rules. Specifically, the Audit Committee must receive information and, when appropriate, generate a report about (i) the actions and decisions made by the Regulatory Compliance Division when performing its duties pursuant to the Company's internal code of conduct; and (ii) the disciplinary measures which must be applied, when appropriate, to members of the Company's senior executive team.
- p) Oversee the strategy for communicating and maintaining relationships with

shareholders and investors, including small- and medium-sized shareholders.

- q) Review the Company's corporate responsibility policy to ensure that it aims to create value; supervise the strategy and practices with regard to corporate social responsibility and assess compliance therewith; and assess the relationship processes with stakeholders.
- r) Assess all matters in relation to the Company's non-financial risks, including technological, operational, legal, social, environmental, political and reputational risks.
- s) Coordinate the process for reporting non-financial information and information about diversity according to the applicable regulations and the leading international standards.
- t) Report on related-party transactions or transactions that involve or may involve conflicts of interest under the terms set forth by law and by this Regulation.

Provisions in c), e) and f) in this section are without prejudice to the regulations on account auditing.

- 4. The Audit Committee shall meet periodically depending on the needs and at least four times a year.
- 5. Any member of the Company's or Group's management team or staff required to do so must attend the Audit Committee meetings and collaborate and provide access to the information they have access to. The Audit Committee may also require that account auditors attend its sessions.
- 6. To better perform its duties, the Audit Committee may request advice from external professionals. In this event, Article 27 herein shall apply. Furthermore, when performing its duties, the Audit Committee may invite any of the Company's employees or executives to its meetings and it may even determine that no other executive shall be present.
- 7. The Chair of the Audit Committee must inform the Board of Directors of the topics discussed and the decisions made by the Committee during the first Board meeting after the Committee's session. Additionally, the Audit Committee's minutes must be available to the directors.

Article 17. Appointments and Remuneration Committee

- 1. The Appointments and Remuneration Committee consists of between three and five non-executive directors appointed by the Board of Directors. They must have the knowledge, skills and experience necessary for performing their duties in the Committee. Most of the members of the Appointments and Remuneration Committee must be independent directors.

2. The Board of Directors shall appoint the Chair of the Appointments and Remuneration Committee from among the independent directors that are part of the Committee. The Committee shall choose a Secretary who does not need to be a director or a member of the Committee.
3. Without prejudice to the duties assigned by the Board of Directors, the Appointments and Remuneration Committee shall perform the following basic duties:
 - a) Assess the skills, knowledge and experience required in the Board of Directors. To this end, the Committee shall define the necessary duties and skills that the candidates must possess to fill the vacancy. The Committee must also determine the time and dedication necessary for effectively performing their duties and confirm that non-executive directors have enough free time to perform their duties correctly.
 - b) Inform the Board of Directors about matters in connection with gender diversity and set a representation objective for the least represented gender in the Board of Directors and draw up guidelines for achieving this objective.
 - c) Submit proposals for appointments to the Board of Directors (for appointment by co-option or submission to the General Shareholders' meeting) for independent directors, and submit proposals for re-electing or dismissing these directors to be decided by the General Shareholders' Meeting.
 - d) Submit proposals for appointments of other directors by co-option or submission to the General Shareholders' meeting, and submit proposals for re-electing or terminating the appointment of these directors to be decided by the General Shareholders' Meeting.
 - e) On an annual basis, verify compliance with the policy on the selection of directors and report thereon in the annual corporate governance report.
 - f) Submit proposals for appointments and removal of positions in the Board of Directors, including the Secretary and Vice Secretaries, and submit proposals for the members of each of the Board's committees to the Board of Directors.
 - g) Examine and organise the succession of the Board's Chair and the Company's top executive and, when appropriate, submit proposals to the Board of Directors so that the succession is orderly and planned.
 - h) Organise and coordinate the periodic assessment of the Board's Chair and, in conjunction, the periodic assessment of the Board of Directors, its members and the Company's top executive.
 - i) Submit proposals to the Board of Directors for appointments and termination

of appointment of senior executives and the basic terms and conditions of their contracts.

- j) Submit a proposal to the Board of Directors for the remuneration policy for directors and general managers or senior managers that are directly subordinate to the Board, to executive committees or managing directors; and submit a proposal for individual remuneration and other contractual terms and conditions for executive directors and ensure compliance therewith.
 - k) Check that the Company's remuneration policy is complied with.
 - l) Periodically review the remuneration policy for directors and senior executives, including remuneration schemes with or referenced to Company shares and the application thereof; analyse their suitability and pay and ensure that their individual remuneration is proportional to the remuneration of other Company directors and senior executives.
 - m) Check the information about remuneration for directors and senior executives in corporate documents, including the annual report on remuneration for directors.
 - n) Report on the matters covered in chapter IX of this Regulation attributed to the Appointments and Remuneration Committee.
 - o) Ensure that possible conflicts of interest do not compromise the independence of external advisory services provided, when appropriate, to the Committee.
4. The Appointments and Remuneration Committee must consider the suggestions from the Chair, the members of the Board of Directors, executives or shareholders. Specifically, any director may request that the Appointments and Remuneration Committee consider potential candidates for director positions and decide accordingly.
5. The Appointments and Remuneration Committee shall consult with the Chair of the Board of Directors and the Company's top executive, especially in matters relating to the executive directors and senior executives.
6. The Appointments and Remuneration Committee shall meet every time the Board of Directors or its Chair requests a report or that proposals be adopted and, in any event, whenever it is advisable for correct performance of its duties. In any case, it shall meet once a year to prepare information about remuneration for directors to be approved by the Board of Directors and include in its annual public documentation.
7. The Chair of the Appointments and Remuneration Committee shall inform the Board of Directors about any issues discussed and decisions made by the

Committee. Additionally, the Committee's minutes must be available to the directors.

Chapter V OPERATION OF THE BOARD OF DIRECTORS

Article 18. Meetings of the Board of Directors

1. The Board of Directors shall hold as many ordinary meetings at the initiative of its Chair as the Chair considers it to be appropriate for the Company's correct operation and the correct performance of the Board's duties. The Board shall meet at least once every quarter.
2. Ordinary meetings shall be convened by letter, fax, telegram or email and the call for meetings shall be authorised by the signature of the Chair (or Secretary or Vice Secretary at the request of the Chair). The call shall be sent at least three days in advance and shall always the meeting's agenda and any relevant information.
3. Unless duly justified, the call for meetings shall always include the session's agenda (list of items the Board of Directors must decide or agree on) and, when appropriate, any necessary information. When for exceptional and emergency reasons, the Chair wishes to submit decisions or agreements for approval by the Board which are not in the agenda, most of the directors present must first expressly agree therewith. Their consent shall be noted down in the minutes.
4. Any director may request that the Chair include certain matters in the agenda. The Chair is obliged to do so provided that the request has been sent at least three days before the meeting's date.
5. Extraordinary Board meetings can be convened by phone and the notice period and other requirements above shall not apply, whenever the Chair deems that the circumstances justify this decision.
6. The Board of Directors must meet at least once a year to assess: (i) the operation of the Board of Directors; (ii) how the Chair and the Company's top executive have performed their duties based on the dedicated report drawn up by the Appointments and Remuneration Committee; and (iii) the operation of the Board's committees based on the committees' reports and, based on the reports' result, propose an action plan for correcting detected weaknesses.

Article 19. The Meetings

1. The Board of Directors shall have valid form when more than half of its members are present or represented in the meeting. Directors must endeavour to always attend Board meetings and when they are not able to be present, they must seek to delegate their representation in another director in the same category and provide

instructions to be appropriately represented. In any event, non-executive directors may only delegate their representation to another non-executive director.

2. Except for cases where specific voting *quorums* are defined, decisions shall be made by absolute majority of present and represented directors. In the event of deadlock, the Chairman has the casting vote.
3. When the directors or Secretary express their concern about any of the proposals discussed in the session and these concerns are not solved during the meeting, they must be added to the minutes on condition that this is requested by the director or Secretary.

Chapter VI

APPOINTMENT AND TERMINATION OF APPOINTMENT OF DIRECTORS

Article 20. Appointment of Directors

1. Directors are appointed by the General Shareholders' Meeting or the Board of Directors in accordance with the legal provisions.
2. The Appointments and Remuneration Committee must first submit a proposal (for appointment of independent directors) or report (for other directors) before the Board of Directors can submit proposals for appointment of directors to the General Shareholders' Meetings which shall decide on the appointment thanks to its legal co-option powers. When the Board of Directors moves away from the recommendations submitted by the Appointments and Remuneration Committee, the Board must justify its decision and note its reasons down on the minutes.
3. The proposals must always be submitted with a justification report by the Board of Directors which assesses the skill, experience and merit of the candidate. This report will be added to the minutes of the General Shareholders' Meeting or the Board itself. Any proposal for appointing or re-electing a non-independent director must also be preceded by a report from the Appointments and Remuneration Committee.
4. The foregoing also applies to natural persons that have been appointed representatives of directors that are legal entities. The proposal for a representative who is a natural person must be submitted to the Appointments and Remuneration Committee.
5. The Company shall take all necessary measures to assist new directors so that they acquire quick and sufficient knowledge about the Company and its corporate governance rules.

Article 21. Appointment of External Directors

1. Within their scope of activity, the Board of Directors and Appointments and Remuneration Committee shall strive to ensure that the selected candidates are persons of known solvency, skill and experience. Extreme rigour must be applied

to the selection of independent directors.

2. The Board of Directors may not propose or appoint a new independent director who does not fulfil the characteristics of independent directors.

Article 22. Re-election of Directors

Proposals for re-election of directors submitted by the Board of Directors to the Shareholders' Meeting must comply with the rules in Article 20 and a formal preparation process. This process must include a report from the Appointments and Remuneration Committee which assesses the quality of the work and dedication to the position of directors from the previous term.

Article 23. Term

1. Directors shall hold their position for the period established in the corporate by-laws and may be re-elected in compliance therewith. Notwithstanding the above, independent directors may not remain in the post for a term of more than twelve consecutive years, unless they become proprietary, executive or other external directors.
2. Co-opted directors shall hold their position until the first General Shareholders' Meeting is held without prejudice to their ratification or re-election.
3. Directors at the end of their term or who terminate the performance of their duties may not provide services to another company with an analogous business purpose to the Company for a period of two years. If deemed appropriate, the Board of Directors may waive this obligation or shorten its duration.

Article 24. Termination of Appointment of Directors

1. Directors will cease to hold their post when their appointment's term elapses and when it is so decided by the Shareholders' Meeting or the Board of Directors pursuant to their legal or bylaw-based powers.
2. The Board of Directors may only propose that the appointment of an independent director be terminated before the end of their term when there is just cause as determined by the Board with the aid of a report from the Appointments and Remuneration Committee. For this purpose, just cause occurs when the director assumes new positions or obligations that prevent him/her from dedicating the necessary time to his/her duties, fails to fulfil duties inherent to his/her position or incurs into any of the circumstances described in the next section. This termination may also be proposed as a consequence of public takeover offers, mergers or other similar corporate operations that result in a significant change to the Company's share structure.
3. Directors must present their resignation to the Board of Directors and, if deemed

advisable, formalise their resignation in the following cases:

- (i) When the directors no longer hold the executive positions which their appointment as directors were linked to or when the reasons for their appointment no longer exist. Specifically, in the case of nominated directors, when the shareholder(s) that proposed, required or determined their appointment sell(s) or transfer(s) their participation partially or in full and, as a consequence, the shareholder(s) no longer hold a significant or sufficient equity participation to justify the appointment.
 - (ii) When they meet any of the legally define criteria for incompatibility or prohibition.
 - (iii) When they are taken to court for a suspected crime or are the object of disciplinary proceedings initiated by the supervisory authorities due to a serious or very serious incident.
 - (iv) When they are seriously disciplined by the Audit Commission as a result of having breached their obligations as directors.
 - (v) When their presence in the Board of Directors may affect the Company's credit or reputation or in any way jeopardise its interests.
4. Directors must inform the Board of Directors of any court proceedings they are defendants in and any disciplinary proceedings initiated by the supervisory authorities due to a serious or very serious incident. In both events, the directors must inform of any subsequent actions. If a legal action were initiated against a director or an order to proceed to a public hearing were issued due to any of the crimes listed in the legislation on companies, the Board of Directors must analyse the case as soon as possible and, based on the specific circumstances, decide whether or not the director must retain his/her position. All details shall be carefully described in the annual corporate governance report.
 5. Directors who terminate their position before the end of their term (be it because they resign or for any other reason) must state their reasons in a letter sent to all directors. Without prejudice to reporting this termination as a relevant fact, the reason therefor must be described in the annual corporate governance report.

Article 25. Voting Objectivity and Secrecy

1. Directors that have been mentioned in proposals for appointment, re-election or termination shall not be involved in the discussions and voting thereon.
2. All Board of Directors votes on the appointment, re-election or termination of directors shall be public unless one of the directors requests that the vote is secret.

Chapter VII

INFORMATION FOR DIRECTORS

Article 26. Powers of Information and Inspection

1. Directors have wide powers to gather information about any aspect that concerns the Company, review its books, logs, documents and other background information to corporate transactions, as well as inspect the Company's premises. The right of information applies to subsidiary companies both domestic and foreign.
2. So that the Company's ordinary management is not disturbed, the right of information shall be channelled through the Chair of the Board of Directors, the Secretary of the Board or the Company's Finance Officer. They will respond to the directors' requests by providing information directly, placing them in contact with the right person within the organisation or coordinating the measures that allow them to examine and inspect on-site.

Article 27. Expert Assistance

1. To assist them in their duties, external directors may request that legal, accounting, financial or other experts are hired with expenses paid by the Company. The experts must be commissioned to work on specific problems that are relatively important and complex.
2. The decision to hire must be notified to the Chair of the Board of Directors and may be vetoed by the Board if the Board believes that:
 - a) it is not necessary for the efficient performance of the duties of external directors;
 - b) its costs are not reasonable given the problem's relevance and the Company's assets and revenue; or
 - c) the technical assistance provided may be supplied appropriately by experts and technicians within the Company.

Chapter VIII REMUNERATION FOR DIRECTORS

Article 28. Remuneration for Directors

1. Directors shall be entitled to the remuneration established by the Board of Directors in accordance with the by-laws, remuneration policy approved by the General Shareholders' Meeting and the indications of the Appointments and Remuneration Committee.
2. The Board of Directors shall ensure that the director's remuneration is moderated on the basis of market requirements and, where applicable and if deemed

appropriate, that a part will be linked to Company profits.

3. The Board of Directors shall annually approve a report on the remuneration policy for directors in compliance with the applicable regulations.

Article 29. Remuneration of External Directors

The Board of Directors and the Appointments and Remuneration Committee shall adopt all possible measures to ensure that the remuneration of external directors follows these guidelines:

- a) External directors must be rewarded based on their actual dedication.
- b) External directors must be excluded from the social welfare schemes funded by the Company in the event of termination, death or any other circumstance.
- c) The remuneration of external directors must be calculated so as to incentivise dedication but without compromising their independence.

Chapter IX DUTIES OF THE DIRECTORS

Article 30. General Duties of Directors

1. As explained in Articles 5 and 6, directors must guide and control the management of the Company so as to maximise the Company's economic value in a sustained fashion for the benefit of shareholders, and to ensure its success in the long term.
2. While performing their duties and complying with their obligations pursuant to the law and the corporate by-laws, directors must work diligently as a nominated businessperson and a loyal representative of the corporate interest based on the nature of their position and duties. They must act in good faith and in the best interest of the Company and must specifically do the following:
 - a) Dedicate the necessary time and effort to their duties as directors.
 - b) Demand the appropriate and necessary information for performing their duties.
 - c) Adequately prepare for the meetings of the Board of Directors and the Executive Committee or any committees they are members of, by diligently gathering information about the Company and the topics in the agenda of these meetings.
 - d) Attend the meetings of the bodies they belong to and actively participate in the debates so that their opinion contributes to decision-making; if for justified reasons they are unable to attend the sessions they have been

invited to, they must instruct the director who will represent them; external directors must be represented by external directors.

- e) Carry out any specific task entrusted to it by the Board of Directors and be reasonably included in its dedication commitment.
- f) Investigate any irregularity in corporate management which they may be aware of and watch any hazardous situation.
- g) Urge the people with sufficient powers to call for an extraordinary meeting of the Board of Directors or to add the topics they consider to be important to the agenda of the first meeting to be held.
- h) Oppose agreements contrary to the law, the internal regulations of the Company or the corporate interest and request for their opposition to be recorded in the minutes.
- i) Not exercise their powers for purposes other than the ones the powers were granted for.
- j) Adopt the necessary measures for avoiding situations in which their interests, on their own behalf or the behalf of others, may be in conflict with the corporate interest and their duties towards the Company.

Article 31. Duty of Confidentiality of Directors

Except for when allowed or required by law, directors must ensure that the decisions and agreements of the Board of Directors, Executive Committees and committees they belong to remain confidential. In general, directors shall not disclose information, data, reports or background they have had access to while performing their duties or use these to their benefit, the benefit of the shareholder who, when appropriate, suggested that they be appointed or the benefit of any other third party, without prejudice to the duties of transparency and information imposed by applicable legislation.

The duty of confidentiality shall remain valid even after the directors no longer hold that position.

Article 32. Duty of Non-Competition

Directors may not be the administrators or executives or provide services to another company or entity with a business purpose that is totally or partially analogous to the Company's purpose or a company/entity that is a competitor of the Company. This provision does not include positions held in group companies.

Article 33. Conflicts of Interest

1. Directors will be in a position of conflict of interest when there is a direct or indirect

clash between the interest of the Company or the companies in its Group and the directors' personal interest. The directors' interest is personal when the matter affects the director or a person related to the director; in the case of nominated directors, the interest is personal when the matter affects the shareholder(s) who proposed the appointment of or appointed the director or people related to the shareholder(s).

For the purpose of these regulations, “**Related parties**” refer to parties related to a director pursuant to Article 231 of the Spanish Companies Act or any other company where the director has an administrative or management role or holds a significant equity participation.

2. Directors must inform the Board of Directors, in the person of its Chair or Secretary, of any direct or indirect conflict of interest that involves them.
3. Specifically and unless they have obtained the waiver stipulated in Article 230 of the Spanish Companies Act, directors must not:
 - a) Complete transactions with the Company except for ordinary operations under standard conditions for the customers that are not very relevant; this means transactions whose information is not necessary to present fairly the company's assets, financial situation and P&L.
 - b) Obtain advantages or remuneration from third parties outside of the Company and its group in connection with their duties, except for simple gestures of courtesy.
 - c) In general, attend and participate in decisions and voting that affect matters which place them in a position of conflict of interest.

Article 34. Use of Corporate Assets

1. Directors may not use the Company's assets or make use of their position in the Company to obtain a wealth advantage unless they have paid appropriate consideration therefor.
2. Exceptionally and in accordance with the law, directors may be exempted from this consideration. However, the economic benefit shall be considered to be indirect remuneration and must be authorised by the Board of Directors after a report has been submitted by the Appointments and Remuneration Committee.

If the benefit is received in their quality of member, it shall only apply if the principle of equal treatment among shareholders is observed.

Article 35. Non-Public Information

1. Directors may use the Company's non-public information for private purposes only

if the following conditions are fulfilled:

- a) the information is not used in connection with transactions to purchase or sell Company's securities or financial instruments related to these;
 - b) the information does not place the director at an advantage with regard to third parties, including suppliers/providers and customers;
 - c) the use of the information does not harm the Company in any way; and
 - d) the Company does not hold exclusive rights or an analogous legal position regarding the information in question.
2. Furthermore, directors must observe the rules of conduct established in the securities market legislation and the Company's internal regulation on the conduct in securities markets.

Article 36. Business Opportunities

1. Directors may not take advantage of a corporate business opportunity to their benefit or the benefit of Related Parties unless the director has first offered the opportunity to the Company and the Company waives its right to exploit without pressure from the director. The director's use of the opportunity must be authorised by the Board of Directors after a report has been submitted by the Appointments and Remuneration Committee.
2. For the purpose of the previous section, a "business opportunity" is any possibility of conducting an investment or commercial transaction which has occurred from or been discovered in connection with the director's performance of his/her duties, or through the use of the Company's resources or information, or under circumstances which lead to a reasonable assumption that the third party was offering the opportunity to the Company.
3. Furthermore, directors must abstain from using the Company's name and exploiting their status as directors to complete transactions on their own or at the behest of Related Parties.

Article 37. Indirect Transactions

Directors breach their duty of fidelity to the Company if, having been informed in advance, they allow or do not inform of the existence of transactions carried out by Related Parties which do not meet the controls and conditions listed in the previous articles.

Article 38. Duty of Information of Directors

1. Without prejudice to compliance with their legal obligations, directors must inform the Company of their equity participation or shares (through agreements or

instruments of any type such as certificates of deposit, derivatives, etc.) in the Company's share capital, either directly or through Related Parties. Additionally, directors must comply with the communication requirements established in the internal regulations on conduct.

2. Directors must inform the Company of their equity participation or shares (through agreements or instruments of any type such as certificates of deposit, derivatives, etc.), either directly or through Related Parties, in the share capital of another company with the same, analogous or complementary activity as the Company's corporate purpose. Directors must also inform of their duties in these companies and the performance of any type of activity, either on their own or on behalf of others, that complements the Company's social purpose.
3. Directors must also report all positions held and activities conducted in any other companies and entities and, in general, any fact or situation that may be relevant to their role as Company administrator.
4. Furthermore, directors must observe the duty of information set forth in the Company's internal regulation on the conduct in securities markets.

Article 39. Related-Party Transactions

1. After a report by the Audit Committee, the Board of Directors formally reserves the right to approve any transactions completed between the Company or the group's companies and directors or shareholders that hold a significant equity participation (either individually or as a group), including shareholders that are represented in the Company's Board of Directors or the Board of Directors of other companies in the same group or transactions with people related to these ("related-party transactions").
2. Under no circumstance shall a related-party transaction with a shareholder be authorised without a prior report by the Audit Committee which assesses the transaction from the point of view of equal treatment of shareholders and market conditions.
3. In the case of transactions during ordinary corporate business that are common or recurring, it shall only be necessary for the Board of Directors to issue a prior, generic authorisation for the line of transactions and their execution conditions. However, a report must first be submitted by the Audit Committee.
4. Nevertheless, the Board's authorisation shall not be necessary if the transactions fulfil the following three conditions: (i) they are conducted in connection with contracts whose conditions are standardised and apply to a high number of customers; (ii) they are conducted at general prices or rates set by the good or service providers; and (iii) their value does not exceed one percent of the Company's annual revenue in accordance with the audited financial statement regarding the last

closed financial year as of the date of the transaction.

Article 40. Principle of Transparency

Without prejudice to compliance with its legal obligations, the Board of Directors shall include a summary of the Company's transactions with its directors and significant shareholders in its annual public information.

The information shall describe the overall transaction volume and the nature of the most relevant transactions.

Chapter X RELATIONSHIPS OF THE BOARD OF DIRECTORS

Article 41. Relationships with Shareholders

1. The Board of Directors shall ensure that the appropriate channels are in place to be informed of any proposals by shareholders about the Company's management.
2. Through its directors and in collaboration with selected senior managers, the Board of Directors may hold informational meetings about the Company's and Group's operation targeted at shareholders that reside in the most important financial locations in Spain and other countries.
3. Public requests for delegated voting submitted by the Board of Directors or any of its members shall indicate how the representative will vote if the shareholder does not provide instructions and, when appropriate, report conflicts of interest.
4. The Board of Directors shall promote the informed participation of shareholders in the General Shareholders' Meetings and adopt adequate measures for making it possible for the Shareholders' Meeting to effectively exercise its duties in accordance with the law and by-laws.

Specifically, the Board of Directors shall:

- a) endeavour to provide shareholders with all legally required information and all information that, even though is not legally required, may be of interest and reasonably supplied before the General Shareholders' Meeting;
- b) respond diligently to requests for information from the shareholders which are submitted before the Shareholders' Meeting; and
- c) respond diligently to questions from the shareholders which are submitted during the Shareholders' Meeting.

Article 42. Relationships with Institutional Shareholders

1. The Board of Directors shall also establish appropriate mechanisms for exchanging frequent information with institutional investors that are shareholders of the Company.
2. Under no circumstance shall the relationship between the Board of Directors and institutional shareholders translate into delivering information that may place the shareholders at an advantage with regard to other shareholders.

Article 43. Relationships with Markets

1. The Board of Directors shall immediately inform the public about the following:
 - a) Relevant facts that may have a relevant impact on stock market pricing.
 - b) Changes in the Company's ownership structure such as changes to significant equity participations, syndication agreements and other forms of coalition which the Board has been made aware of.
 - c) Substantial changes to the Company's governance rules.
2. The Board of Directors shall implement the necessary measures for ensuring that the half-yearly, quarterly and any other required financial information which must be provided to the markets is formulated in accordance with the same principles, criteria and professional practices used to draw up the financial statement and that this information is as reliable as the financial statement. To this end, the information shall be reviewed by the Audit Committee.
3. The Board of Directors shall annually approve a report on corporate governance in compliance with the applicable regulations.

Article 44. Relationships with Auditors

1. The relationships between the Board of Directors and external auditors shall be channelled through the Audit Committee.
2. The Board of Directors shall not hire audit firms whose expected overall fees exceed five percent of the total revenue for the last financial year.
3. The Board of Directors shall publicly disclose the overall fees paid to the audit firm for various audit services.
4. The Board of Directors shall provide a final version of the accounts so as to prevent any reservations from the auditor. However, when the Board of Directors considers that its judgement must prevail, it shall publicly explain the content and scope of the discrepancy.

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