

MINOR HOTELS EUROPE & AMERICAS, S.A.

REGULATIONS OF THE BOARD OF DIRECTORS



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REGULATIONS OF THE BOARD OF DIRECTORS

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REGULATIONS OF THE BOARD OF DIRECTORS

PRELIMINARY TITLE

Article 1. Object

1. The object of these Regulations is to determine the principles of action of the Board of Directors and its Committees, regulate their organization and operation and establish the rules of conduct of their members, in order to achieve the highest possible degree of efficiency and optimize their management.
2. The rules of conduct established in these Regulations for Directors will be applicable, to the extent that they are compatible with their specific nature, to senior executives of the Company.

Article 2. Interpretation

These Regulations will be interpreted in accordance with the applicable provisions of law and the Articles of Association and taking into account the principles and recommendations on good corporate governance contained in the official reports issued in Spain, and the Board of Directors shall have the faculty to settle any interpretative doubts that may arise in the application hereof.

Article 3. Modification

1. These Regulations may only be modified by the Board of Directors at the proposal of the Chairman, of three Directors or of the Nominations and Remuneration Committee.
2. The modification proposal must be accompanied by a report justifying them and must be reported on by the Nominations and Remuneration Committee. This report will not be necessary when the proposal for modification has been made by the Nominations, Remuneration and Corporate Governance Committee.
3. The text of the proposal, the report justifying it and, as the case may be, the Report of the Nominations, Remuneration and Corporate Governance Committee, must be attached to the notice convening the Board meeting that is to deliberate on it, the agenda of which must expressly state this matter.

Article 4. Dissemination

1. The Directors and senior executives have the obligation to know, comply with and compel compliance with these Regulations. For that purpose, the Secretary of the Board will provide all of them with a copy hereof.
2. These Regulations, as well as any modifications hereto, will be reported to the General Shareholders' Meeting, communicated to the National Securities Market Commission, registered in the Mercantile Registry pursuant to ruling legal provisions and will be available on the corporate website and at the Company's registered office, thus guaranteeing extensive dissemination among the shareholders and investing public in general.

Title I. GENERAL FUNCTIONS AND PRINCIPLES OF ACTION OF THE BOARD OF DIRECTORS

Article 5. General functions of the Board of Directors

1. The Board of Directors is, in accordance with the provisions of the law and the Articles of Association, the highest governing and representative body of the Company and is consequently empowered to carry out, within the sphere of activity included in the corporate object defined in the Articles of Association, any juristic acts or transactions of administration and disposition, under any legal title, except those reserved by law or the Articles of Association to the exclusive competence of the General Shareholders' Meeting.
2. Notwithstanding the above, the Board of Directors is established basically as a supervisory and control body, with the ordinary management of the Company's business being entrusted to the executive bodies and the management team.
3. The faculties reserved by law or the Articles of Association exclusively to the Board, and any others necessary for responsible exercising of its basic function of supervision and control may not be delegated.

Specifically, the following faculties may not be delegated under any circumstances:

- a) The approval of the strategic or business plan, the management objectives and annual budgets, the investment and financing policy, the corporate social responsibility policy and the dividends policy.
- b) The determination of the control and risk management policy, including tax risks, and the supervision of internal reporting and control systems.

- c) The determination of the corporate governance policy of the Company and of the group of which it is the controlling company; its organization and functioning and, in particular, the approval and modification of its regulations.
- d) The approval of the financial information the Company must publish periodically.
- e) The definition of the structure of the group of companies of which the Company is the controlling company.
- f) The approval of all kind of investments or operations which, due to the high amount or special characteristics thereof, are of a strategic nature or involve a special tax risk, unless approval of such operations corresponds to the General Meeting.
- g) The approval of the creation or acquisition of shares in entities with a special purpose or domiciled in countries or territories that are considered to be tax havens, and any other transactions or operations of a similar nature that, due to their complexity, may be detrimental to the transparency of the company and its group.
- h) The approval, following a report by the audit committee, on the operations that the company or companies in its group carry out with Board members, in the terms of articles 229 and 230 of the Companies Act, or with shareholders who individually or in conjunction with other shareholders hold a significant shareholding, including shareholders represented on the Board of Directors of the company or of other companies that form part of the same group of with persons related to them. The Board members who are affected or who represent or are related to the affected shareholders must refrain from participating in the deliberation and voting on the resolution in question. Proprietary Directors who represent or are linked to the parent company, with the particularities provided for in the Law, must not abstain.
- i) The determination of the company's tax strategy.
- j) The supervision of the effective functioning of any committees that have been set up and of the performance of any delegated bodies and executive officers designated.
- k) The determination of the Company's general policies and strategies.
- l) The authorization or release from obligations deriving from the duty of loyalty in accordance with the provisions of article 230 of the Companies Act.
- m) Organization and functioning of the Board itself.

n) The drawing up of the annual accounts and their submission to the General Meeting.

o) The drawing up of any kind of report required of the governing body by law when the operation the report refers to cannot be delegated.

p) The appointment and removal of Executive Officers of the Company, and the establishment of the conditions of their contract.

q) The appointment and removal of executives who are directly dependent on the Board or any of its members, as well as the establishment of the basic conditions of their contracts, including their remuneration.

r) Decisions relating to the remuneration of Board members, within the framework established by the Articles of Association and, as the case may be, the remuneration policy approved by the General Meeting.

s) The convening of the General Shareholders' Meeting and the drawing up of the agenda and the proposed resolutions.

t) The policy concerning own shares.

u) Any faculties that the General Meeting has delegated to the Board of Directors, unless it has been expressly authorized by the Meeting to sub-delegate them.

When there are duly attested circumstances of urgency, decisions corresponding to the matters referred to in sections a) to i) above may be adopted by the delegated bodies or persons and must be ratified at the first Board meeting held after the decision has been adopted.

4. Within the scope of its supervision and control functions, the Board of Directors will lay down the Company's management strategies and guidelines; it will establish the bases of the corporate organization in order to guarantee the greatest efficiency thereof; it will implement and oversee the establishment of suitable reporting procedures of the Company to shareholders and to the markets in general; it will adopt the pertinent decisions on business and financial operations of special relevance for the Company; and it will approve the bases of its own organization and operation for the best fulfilment of these functions.

5. Specifically, the full Board reserves the competence to approve:

- a) The general policies and strategies of the Company, and in particular:
 - i. The strategic or business plan, and the management objectives and annual budgets;
 - ii. The investment and financing policy;
 - iii. The definition of the structure of the group of companies;
 - iv. The corporate governance policy;
 - v. The corporate social responsibility policy;
 - vi. The remuneration policy and assessment of senior executives' performance;
 - vii. The control and risk management policy, and the periodic monitoring of the internal reporting and control systems;
 - viii. The dividends policy, and the policy concerning own shares and, in particular, its limits.

- b) The following decisions:
 - i. The remuneration of the Directors and, in the case of executives, the additional remuneration for their executive duties and any other conditions that their contracts must respect;
 - ii. The financial information and non-financial which, as a listed company, the company must publish on a regular basis;
 - iii. Investments or all kind of operations which, due to the high amount or special characteristics thereof, are of a strategic nature, unless approval of such operations corresponds to the General Meeting;
 - iv. The creation or acquisition of shareholdings in entities with a special purpose or domiciled in countries or territories that are considered to be tax havens, and any other transactions or operations of a similar nature that, due to their complexity, may be detrimental to the group's transparency.

The operations that the Company or its subsidiaries carry out with Directors, with shareholders holding 10% or more of the voting rights or represented on the Board or with any other person who should be considered related party, in accordance with the applicable regulations ("Related-Party Operations"), except that such approval is reserved to the competence of the shareholder meeting or when approval of the Board is not required because it has been established by applicable legislation or the internal regulations of the Company.

They will not be Related-Party Operations:

- (i) those carried out between the company and its wholly-owned subsidiaries, directly or indirectly;

- (ii) those carried out by the company with its subsidiaries or investees, provided that no other related party to the former has interests in such subsidiaries or investees;
- (iii) contracts for executive directors and senior managers.

6. The Board of Directors must carry out an annual assessment of its functioning and of that of its Committees and propose, based on the result of this assessment, an action plan to correct any deficiencies detected. The result of the assessment will be noted in the minutes of the meeting or will be incorporated to the meetings as an appendix.

Article 6. Functions of the Board of Directors in relation to Group companies

In relation to the companies that make up the Group, the Board of Directors of this company, within the legal limits, will establish the bases of an adequate and efficient co-ordination between the Company and the companies that make up the aforesaid Group, respecting in any case the decision-making autonomy of their management bodies and Executives, in accordance with the corporate interest of the Company and of each of the aforesaid companies.

For the above-mentioned purposes, and within the aforementioned limits, the Board of Directors will put in place the necessary instruments to establish adequate relations of co-ordination based on mutual interest and, therefore, respecting the respective corporate interests.

Article 7. Principles of action of the Board of Directors

1. The Board of Directors shall discharge its functions in accordance with the corporate interest, which is understood to be the interest of the Company; and in this regard it shall act to guarantee the Company's viability in the long term and maximize its value, also weighing the varied lawful public or private interests that converge in carrying out any business activity.
2. The Board of Directors shall act at all times strictly respecting generally accepted ethical principles and values.
3. The Board of Directors will approve a policy of full information and transparency in relation to the markets, ensuring the correct setting of the prices of the Company's shares.

Title II. COMPOSITION OF THE BOARD

Article 8. Quantitative Composition

1. The Board of Directors will be made up of the number of Directors determined by the General Meeting within the limits set by the Company's Articles of Association.

2. The Board will propose to the General Meeting the number of Directors that is most appropriate, according to the prevailing circumstances from time to time in the Company, to ensure due representativeness and efficient operation of the body.

Title II. COMPOSITION OF THE BOARD

Article 9. Qualitative Composition

1. In exercising the rights of co-optation and proposition of appointments to the General Shareholders' Meeting, the Board of Directors shall ensure that in the composition of the Board, External or Non-Executive Directors represent a considerable majority over Executive Directors.

The Board shall also ensure that the majority group of External Directors includes, on the one hand, those proposed by holders of stable significant shareholdings in the company's capital (Shareholder-Representative Directors); and, on the other hand, professionals of renowned prestige who are not linked to the executive team or to significant shareholders (Independent Directors).

2. Executive Directors are those who carry out management functions in the Company or its group, regardless of their legal relationship with it. However, Board members who are senior executives or members of the Board of companies belonging to the group of the Company's parent company shall in this case be deemed to be shareholder-representative directors.

When a Director carries out management functions and at the same time is or represents a significant shareholder or a shareholder that is represented on the Board of Director, such a Director shall be regarded as an executive director.

- 3.- All other Directors of the Company are Non-Executive External Directors, and may be Shareholder-Representative Directors, Independent Directors or Other External Directors.

3.1 Shareholder-Representative Directors shall be considered to be those who hold a stake equal to or greater than that considered by law to be significant or who have been appointed on account of their status as shareholders, even if their stake does not reach the aforesaid value, as well as those who represent the aforementioned shareholders.

For the purposes of this definition, it will be presumed that a Director represents a shareholder when:

- a) He has been appointed by a shareholder exercising a right of representation.

- b) He is a Director, senior executive, employee or non-occasional provider of services to the aforesaid shareholder, or to companies belonging to the same group.
- c) It can be inferred from the corporate documentation that the shareholder assumes that the Director has been appointed by him or represents him.
- d) He is the spouse, person related by a similar bond of affection, or a relative up to the second degree of a significant shareholder.

3.2. Independent Directors shall be deemed to be those who have been appointed on account of their personal and professional circumstances and can carry out their duties without being conditioned by relations with the company, its significant shareholders or executives.

The following persons may not be classified as Independent Directors under any circumstances:

- a) Those who have been employees or Executive Directors of group companies, unless three or five years, respectively, have elapsed since this relationship ceased to exist.
- b) Those who receive from the company, or from its group, any sum or benefit for a reason other than Director's remuneration, unless it is not significant for the Director.

For the purposes of this paragraph, dividends and pensions supplements received by a Director due to a former professional or employment relationship shall not be taken into account, provided that such supplements are of an unconditional nature and, consequently, the Company paying them cannot at its discretion suspend, modify or revoke the accrual thereof without a breach of its obligations.

- c) Those who are or have been during the last three years a partner of the external auditor or party responsible for the audit report, whether for the audit during that period of the listed Company or of any other Company of the group.
- d) Those who are Executive Directors or senior executives of another company in which any Executive Director or senior executive of the Company is an External Director.
- e) Those who have or have had during the last year an important business relationship with the Company or with any company of its group, either in their own name or as a significant shareholder, Director, or senior executive of an entity that has or has had such a relationship.

Business relationships shall be considered to be that of supplier of goods or services, including financial services, and that of adviser or consultant.

- f) Those who are significant shareholders, Executive Directors or senior executives of an entity that receives or has received during the last three years donations from the Company or from its group.

This paragraph shall not be deemed to include those who are merely trustees of a Foundation that receives donations.

- g) Those who are spouses, persons linked by a similar bond of affection, or relatives up to the second degree of an Executive Director or senior executive of the Company.
- h) Those who have not been proposed, either for appointment or re-election, by the Nominations, Remuneration and Corporate Governance Committee.
- i) Those who have been Directors for a continued period of more than 12 years.
- j) Those who, in relation to a significant shareholder or shareholder that is represented on the Board, are in any of the situations indicated in points a), e), f) or g) above. In the case of family relationship mentioned in g), the limitation shall apply not only with respect to the shareholder, but also to its Shareholder-Representative Directors in the investee company.

Shareholder-representative Directors who cease to be considered as such as a result of the sale of the stake by the shareholder they represented may only be re-elected as Independent Directors when the shareholder they represented until that time has sold all its shares in the company.

A Director who holds a shareholding in the Company may qualify as an independent director, provided that he fulfils all the conditions established in this article and, furthermore, his shareholding is not significant.

5. In order to establish a reasonable balance between the two types of External Director, the Board shall have regard to the Company's shareholder structure, so that the ratio between each type of Director reflects the ratio between stable capital and floating capital.
6. The provisions of this article are understood to be notwithstanding the right of proportional representation recognized by law in the shareholders' favour and the competences of the General Meeting.

Title III. APPOINTMENT AND REMOVAL OF DIRECTORS

Article 10. Appointment of Directors

1. The Directors will be appointed by the General Meeting or, provisionally, by the Board of Directors in accordance with the provisions of the Companies Act (Consolidating Act) and the Articles of Association.
2. The proposal for the appointment or re-election of members of the Board of Directors corresponds to the Nominations, Remuneration and Corporate Governance Committee, for Independent Directors, and to the Board itself in all other cases. The proposal must in any case be accompanied by a justificatory report issued by the Board evaluating the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Shareholders' Meeting or the Board meeting.

The proposal for the appointment or re-election of any non-independent Director must be preceded, furthermore, by a report issued by the Nominations, Remuneration and Corporate Governance Committee.

The Board of Directors shall ensure that the procedures for the selection of its members favour diversity of gender, experience and knowledge, and do not suffer from any implicit bias that could involve any discrimination whatsoever and, in particular, which facilitate the selection of female Directors.

3. In relation to Shareholder-Representative Directors, their appointment must fall on the persons proposed by the respective holders of significant stable shareholdings, and the other Directors must facilitate with their vote that such appointments or proposals for appointment be approved by the Board of Directors.

Article 11. Appointment of External Directors

1. The Board of Directors and the Nominations, Remuneration and Corporate Governance Committee shall strive to ensure, within their respective areas of competence, that the election of candidates falls on persons or acknowledged solvency, competence and experience, who are willing to dedicate a sufficient portion of their time to the Company, applying particular care in relation to the election of the persons called upon to cover posts as independent directors.
2. The Board of Directors will propose persons who fulfil the conditions established in article 9.3.2.4 of these Regulations to cover posts as independent Directors.
3. In any case, persons subject to any of the situations of incapacity, disqualification, prohibition, or incompatibility established in ruling legal provisions may not be proposed for appointment as Directors.

For these purposes, any person who directly or indirectly has any kind of interest or who has employment, professional, mercantile or any other kind of relations with competitor companies will be deemed incompatible for the post of Director, unless the Board of Directors resolves to release that person from this restriction with a vote in favour of at least 70% of its members. The above is understood to be notwithstanding any other dispensation the General Shareholders' Meeting is required to grant, in accordance with ruling legislation.

Article 12. Term of the Post

1. Directors shall hold their post for the maximum term established in the Articles of Association, and may be re-elected on one or more occasions for terms of the same duration.
2. Directors appointed by co-optation shall exercise their post until the date of the first General Shareholders' Meeting held after their appointment.
3. Any Director whose tenure expires or who otherwise ceases to hold his/her post may not, for a term of two years, hold the same post in another company which has a similar corporate object to that of the Company or any of the Companies that make up the Group. The Board of Directors may, if it considers it appropriate, release the outgoing Director from this obligation or shorten its duration.

Article 13. Re-election of Directors

The proposal for the re-election of Directors that the Board of Directors decides to submit to the General Meeting shall respect the provisions set forth in these Regulations and shall be preceded by the corresponding report issued by the Nominations, Remuneration and Corporate Governance Committee, which shall not be binding.

Article 14. Removal of Directors

1. Directors shall leave their post when the term for which they were appointed has ended or when the General Meeting so resolves making use of the faculties conferred on it by law.
2. Directors must place their posts at the Board's disposal and formalize the corresponding resignation in the following cases:
 - a) When they cease to hold the executive posts to which their appointment as Director is associated or when the reasons why they were appointed no longer exist. This circumstance shall be understood to occur in a Shareholder-Representative Director when the Company or Business Group he/she represents no longer has a significant shareholding in the company or, in the case of an

Independent Director, when he/she joins the executive line of the Company or of any of its Subsidiaries.

- b) When they are found to be in any of the situations referred to in article 11.3 of these Regulations.
- c) When they are seriously reprimanded by the Nominations, Remuneration and Corporate Governance Committee for having breached any of their obligations as Directors.
- d) When their continued membership of the Board could affect the Company's credit or reputation on the market or otherwise place its interests at risk. In such cases, they shall be required to inform the Board immediately of any procedural events or vicissitudes affecting the aforesaid reputation or risk.

In the event that the Board has been informed or otherwise becomes aware of the situations described in the preceding paragraph, it must examine the case as soon as possible and, taking into account the specific circumstances, decide, following a report from the Appointments, Remuneration and Corporate Governance Committee, whether or not it must adopt any measure, such as opening an internal investigation, requesting the resignation of the Director or proposing his or her removal.

Article 15. Criteria to be followed in Votes

- 1. In accordance with the provisions of these Regulations, Directors affected by proposals for appointment, re-election or removal shall refrain from intervening in the deliberations and votes that deal with them.
- 2. All votes of the Board of Directors that concern the appointment, re-election or removal of Directors shall be secret ballots if any of the Board members so requests, notwithstanding the right of any Director to have his/her vote recorded in the minutes.

Title IV. OPERATION OF THE BOARD

Chapter I.- DISTRIBUTION OF POSTS

Article 16. The Chairman of the Board

- 1. The Board, with a prior report issued by the Nominations, Remuneration and Corporate Governance Committee, shall designate out of its members a Chairman, and, as the case may be, one or several Vice-Chairmen. The Chairman of the Board shall not hold necessarily the chair of all the Company's governance and management bodies. In consequence the Company, through its Board of Directors, may designate one

Chairman of the Board of Directors and one Chairman of the Executive Committee, in compliance with article 46 of the present By-Laws. In this case they can be referred as “Co-chairmen”, notwithstanding the delimitation of competencies established under the applicable Law and the present By-Law.

The Chairman of the Board of Directors is the highest authority responsible for the efficient functioning of the Board of Directors. In addition to the faculties granted by law and these Articles of Association or the Board Regulations, the Chairman shall have the following faculties:

- a) To convene and chair the meetings of the Board of Directors, establishing the agenda for the meetings and directing discussions and deliberations.
- b) To chair the General Shareholders’ Meeting, which in turn corresponds him while shifting with the Chairman of the Executive Committee.
- c) To ensure that prior to meetings the Directors receive sufficient information in order to deliberate on the items of the agenda.
- d) To stimulate debate and active participation of Directors during Board meetings, assuring their freedom to adopt stances.

Article 17. The Chief Executive Officer of the Company.

The Executive President or if there is none the Managing Director shall have the status of Chief Executive Officer of the Company and, consequently, his/her appointment or renewal shall entail the delegation, when so resolved, of all the faculties and competences of the Board that may be lawfully delegated, and shall be responsible for effective management of the Company’s business, in accordance at all times with the decisions and criteria established by the General Shareholders’ Meeting and the Board of Directors.

The Executive President or if there is none the Managing Director shall have the faculty of executing the Board’s resolutions and, as the case may be, those of the Executive Committee, which bodies he/she represents on a permanent basis with the widest faculties, being empowered in cases of urgency to adopt the measures he/she considers appropriate to the Company’s interests.

The post of Chairman of the Board of Directors may be given to an Executive Director. In this case, the appointment of the chairman shall require a vote in favour of two thirds of the members of the Board of Directors.

If the Chairman is an Executive Director, the Board of Directors, with the abstention of the Executive Directors, must necessarily appoint a Co-ordinating Director out of the Independent Directors, who will be especially empowered to ask for a meeting of the

Board of Directors to be convened, or for the inclusion of new items on the agenda of a Board meeting that has already been convened, co-ordinate and bring together the non-Executive Directors and direct, as the case may be, the periodic assessment of the Chairman of the Board of Directors.

Article 18. The Vice-Chairman of the Board

1. The Board may elect one or more Vice-Chairman – Executive or otherwise – out of its members, who will replace the Chairman by delegation, or in the absence or illness of the latter and, in general, in all cases, functions or attributes considered appropriate by the Board or by the Chairman.
2. The Chairman will be substituted by the Vice-Chairman who, as the case may be, has executive functions in the company and, in the absence thereof, by the Vice-Chairman who is the oldest.

Article 19. The Secretary of the Board

1. The Board, with a prior report issued by the Nominations, Remuneration and Corporate Governance Committee, will appoint a Secretary and, as the case may be, one or several Vice-Secretaries. The same procedure will be followed to resolve on the removal of the Secretary and, as the case may be, of each Vice-Secretary. The Secretary of the Board of Directors need not be a Director.
2. In addition to the functions assigned by law, the Articles of Association and these Regulations, the Secretary must carry out the following functions:
 - a) Conserve the documentation of the Board of Directors, reflect in the books of minutes the contents of the Board meetings and certify the resolutions passed thereat.
 - b) Ensure that the actions of the Board of Directors comply with the applicable legislation and conform to the Articles of Association and other internal regulations.
 - c) Assist the Chairman so that Directors receive the relevant information in order to carry out their duties sufficiently in advance and in suitable format.

Article 20. The Vice-Secretary of the Board

1. The Board of Directors may appoint a Vice-Secretary, who does not have to be a Director, to assist the Secretary of the Board of Directors or substitute him in carrying out his duties in the event of absence or impossibility.
2. Unless otherwise decided by the Board of Directors, the Vice-Secretary may attend Board meetings to assist the Secretary in drawing up the minutes of the meeting.

Chapter II. RULES OF OPERATION

Article 21. Meetings of the Board of Directors

1. The faculty to convene meetings of the Board of Directors and, as the case may be, to draw up the Agenda for such meetings lies with the Chairman, who must however convene such a meeting when so requested by any of its members, indicating the matters to be discussed.

Directors making up at least one third of the members of the Board may convene a meeting, indicating the agenda, to be held in the town or city where the registered office is located if, after asking the Chairman to do so, the latter has failed without due cause to convene the meeting within a term of one month.

The Board of Directors shall meet, ordinarily, with the frequency the Chairman considers most appropriate from time to time for the correct functioning of the Company and must meet at least once a quarter.

The schedule of ordinary meetings will be established by the Board before the start of each year. The aforesaid schedule may be modified by a resolution of the Board or by the Chairman's decision, in which case the modification must be communicated to the Directors as soon as possible.

2. Formal notice of ordinary meetings will be sent by letter, fax, telegram or e-mail and will be authorized with the Chairman's signature, or with the signature of the Secretary or Vice-Secretary on the Chairman's orders. Notice of the meeting will be given at least three days before the date set for it to be held.

The notice will include an advance of the foreseeable Agenda for the meeting and will be accompanied by the pertinent written information that is available. In any case, the Chairman shall have the faculty at all times to submit any matters he considers appropriate to the Board of Directors, irrespectively of whether or not they are included in the Agenda for the meeting.

The Directors may ask the Chairman to include items in the agenda, and the Chairman shall be bound to include such items when the request has been made not less than ten days in advance of the date set for the meeting and the pertinent documentation has been sent together with the aforesaid request, to be conveyed to the other members of the Board of Directors.

3. When circumstances so require, the Chairman may convene an extraordinary meeting of the Board of Directors by telephone, fax or e-mail, without respecting the term of advance notice and other requisites indicated in the preceding section.

4. The Board will assess its operation and the quality of its work annually when approving the Annual Corporate Governance Report.
5. When the Chairman of the Board is also the Company's Chief Executive Officer, the Board of Directors will designate one of the Independent Directors to co-ordinate and convey the concerns of the External Directors and to lead the assessment carried out by the Board of its Chairman.

Article 22. Progress of Meetings

1. Meetings of the Board shall be quorate when half plus one of its members is present or represented at the meeting.

Directors will use their best efforts to attend Board meetings and their commissions in person or by telematic means, and when, exceptionally, they are unable to do so, they shall strive to nominate another Board member to represent them, and, as far as possible, will include the pertinent voting instructions. For internal purposes, the Directors who have delegated their vote to another Director, with precise voting instructions, will be deemed to have attended the Board or the corresponding Committee. In this sense, the Directors undertake to attend 85% of meetings, understood in said calculation, both physical attendance, by videoconference, as well as those processed through delegations with voting instructions. Non-executive Directors may only delegate another non-executive to represent them.

Such delegations may be granted by letter or through any other means that ensures the certainty and validity of the representation in the Chairman's opinion.

Furthermore, the Board of Directors may authorize the attendance of Directors by telephone or audiovisual media provided that such means allow real-time interactivity and intercommunication between those present at the meeting.

2. The Chairman will organize the debates, striving to achieve and promoting the participation of all the Directors in the deliberations.
3. At the Chairman's proposal, the Company's senior executive will attend the Board meetings when their intervention is necessary or advisable, in order to report on matters for which they are responsible.
4. Except in cases in which another voting quorum is specifically applicable, resolutions will be passed by an absolute majority of Directors attending the meeting (present or represented) and in the event of a tie the Chairman, or Vice-Chairman replacing him, shall have the casting vote.

5. Exceptionally, when urgency so requires, the Chairman may propose that resolutions be passed without holding a meeting, in writing (fax, post, e-mail, etc.) provided that no Director objects to this proceeding.

Chapter III. COMMITTEES OF THE BOARD

Article 23. General Provisions

a) Executive Committee

Notwithstanding the delegation of faculties to the Executive President and, as the case may be, the Managing Director or the Vice-Chairman, the Board of Directors may delegate an Executive Committee made up of Board members which will have decision-making capacity in the general sphere and, consequently, expressly delegating all the faculties that correspond to the Board of Directors except those which, by law or by virtue of the Articles of Association, may not be delegated. The Board of Directors may also entrust the Executive Committee to carry out other functions.

b) Other Committees

1. The Board of Directors may also set up one or several Committees to which it will entrust the exemption and permanent monitoring of any area of special relevance for the good governance of the Company or for a monographic analysis of any aspect or question the relevance or degree of importance of which so advises.

Such Committee shall not be regarded as Corporate Bodies, and are set up as instruments at the service of the Board of Directors, to which they will submit the conclusions they reach on the matters or subjects assigned to them by the Board for analysis.

2. The Board of Directors will determine the number of members of each Committee and will appoint, at the Chairman's proposal, the Directors who are to be on such Committees.

In order to facilitate adequate and fluid relations with the Company, each Committee may be assigned a senior executive who will attend the Committee meetings with the right to speak but not to vote thereat and who may be tasked with acting as the secretary of the Committee.

In any case, the senior executive must absent himself from the meeting when, due to the nature of the matters to be discussed, the Committee considers it appropriate.

3. The Committees will regulate their own operation, will appoint a Chairman out of their members and a Secretary - who does not have to be a member of the Committee in question – and will meet when convened by their respective Chairman, and must draw up an action plan each year which they will report to the Board.

Committee meetings will be quorate when attended, directly or through a representative, by at least half of their members; and they will pass their resolutions by a majority of those present. In the event of a tie, the respective Chairman shall have the casting vote.

The corresponding minutes of each meeting held by the Committees will be drawn up by their respective Secretary, and will be forwarded to the Secretary of the Board of Directors for filing and safe-keeping. The minutes of the Board Committees will in any case be available to the members of the Board of Director for consultation.

In all matters not specially provided for, the rules of operation established in these Regulations in relation to the Board of Directors shall apply to the Committees.

4. The members of senior management of the Company will attend the meetings of the Committees when, in the opinion of their respective Chairman, their intervention is necessary or advisable in order to report on matters for which they are responsible.
5. For the better fulfilment of their functions, the Committees may seek the advice of external experts, for which purpose the provisions of article 28 of these Regulations shall apply.
6. Notwithstanding the Board's faculty to appoint other Committees, with the attributes it considers appropriate to confer on them, an Audit and Control Committee and a Nominations, Remuneration and Corporate Governance Committeewill in any case be created.

Article 24. The Executive Committee

a) Composition

1. The Executive Committee shall be composed by not less than three and not more than nine Directors, designated by the Board of Directors.
2. In the qualitative composition of the Executive Committee, the Board will strive to ensure that the structure of participation of the different categories of Directors is similar to that of the Board, and that the Secretary of the Executive Committee be the Secretary of the Board. . The Chairman of the Executive Committee will

be appointed by this Committee among the Directors who are members of this Committee. The Chairman of the Executive Committee can be a Director who is different than the Chairman of the Board of Directors.

The Chairman of the Executive Committee will chair the General Shareholders' Meeting, which by turn corresponds in the shifting with the Chairman of the Board of Directors

In any case, the appointment or renewal of the members of the Executive Committee shall require, in order to be valid, a vote in favour by at least two thirds of the members of the Board of Directors.

3. The Executive Committee shall resolve, by virtue of the delegated faculties, all issues not reserved to the exclusive competence of the Board of Directors in compliance with the applicable Law and the by laws, to be ratified by the Board.

The Executive Committee shall examine previously the issues that the Board has reviewed and that have not previously been informed or proposed to the Nomination Remuneration and Corporate Governance Committee or to the Audit and Control Committee.

b) Competences

The Executive Committee is entrusted with the task of providing top-level perspective ("Board perspective") both to the Board of Directors and to the executive team, contributing its experience in the preparation of relevant matters, training and guidance

on key issues for the Company's future, to facilitate decision-making by the Board of Directors on the matters for which it is competent.

The Executive Committee may apply such competences to matters such as:

1. Investments and financing;
2. Acquisitions strategy and identification of possible targets;
3. Business model;
4. Cost structure;
5. Long-term vision in asset management;
6. Group structure.

c) Functioning

The Executive Committee will meet as many times as it is called by its Chairman, being its Secretary or Vicesecretary, those who hold the same positions in the Board of Directors Those who hold identical positions of Chairman and Secretary of the Board of Directors will act as Chairman and Secretary of the Executive Committee,

being possible to nominate one or several Chairmen or Vice secretaries or Vice secretary.

The Executive Committee will be quorate when half plus one, present and represented, of each of its members with voting right attend the meeting.

The agreements will be reached by the majority of the Directors attending the meeting (present and represented) with voting right, being decisive the Chairman's vote in case of a tie.

Furthermore, other Directors non-members can assist to the meeting of the Executive Committee, provided they have been previously invited by the Chairman.

d) Relations with the Board of Directors.

The Executive Committee will report punctually to the Board on the matters discussed and on the decisions passed at its meetings.

Article 25. The Audit and Control Committee

a) Composition.

The Audit and Control Committee will be made up of a minimum of three and a maximum of six Directors appointed by the Board of Directors. All the members of this Committee should be External or Non-Executive Directors, having to be the majority of them Independent Directors.

The members of the Audit and Control Committee as a whole, and especially its Chairman, will be appointed taking into account their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.

The Chairman of the Audit and Control Committee shall be appointed out of the Independent Directors who form part of the Committee and must be replaced every four years, and may be re-elected one year after being replaced.

b) Competences.

The Audit Committee shall have at least the following competences:

1. Report to the General Meeting on matters raised within its sphere of competence.
2. Supervise the efficiency of the Company's internal control, internal audit, as the case may be, and the risk management systems, including tax risks, and discuss with the accounts auditors or audit firms any significant weaknesses in the internal control system that may have been detected in the course of the audit.

3. Supervise and evaluate the process of preparation and the integrity of financial and non-financial information, as well as the control and management systems of financial and non-financial risks related to the company and, where appropriate, the group - including operational, technological, legal, social, environmental, political and reputational or related to corruption - reviewing compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria.
4. Make proposals to the Board of Directors for the selection, appointment, re-election and replacement of the external auditor, as well as the contracting conditions, and obtain information regularly from the external auditor concerning the audit plan and its execution, as well as preserving its independence in exercising its functions.
5. With regard to the external auditor:
 - 5.1 Establish the pertinent relations with the accounts auditors or audit firms in order to receive information on any matters that may put their independence at risk, so that they can be examined by the Committee, and any other matters related to the audit process, and other communications established in auditing legislation and technical auditing standards. In any case, it must receive written confirmation each year from the external auditors of their independence of the Company or companies related to it directly or indirectly, and information on the additional services of any kind provided to and the corresponding fees received from such companies by the aforesaid auditors or companies, or by persons or entities related to them in accordance with the provisions of legislation on auditing.
 - 5.2 Issue each year, prior to the issue of the auditors' report, a report in which an opinion will be expressed on the independence of the accounts auditors or audit firms. This report must, in any case, contain a valuation of the provision of additional services as referred to in the preceding section, individually considered and regarded as a whole, other than statutory audit and in relation to the regime of independence or to auditing legislation.
 - 5.3 In the event of the resignation of the external auditor, examine the circumstances that led to it.
 - 5.4 Ensure that the remuneration of the external auditor for their work does not compromise their quality or their independence.
 - 5.5 Supervise that the company communicates the change of auditor through the CNMV and accompanies it with a statement on the eventual existence of disagreements with the outgoing auditor and, if there were any, their content.

- 5.6 Ensure that the external auditor holds an annual meeting with the full board of directors to inform it about the work carried out and about the evolution of the accounting and risk situation of the company.
- 5.7 Ensure that the company and the external auditor respect the current regulations on the provision of services other than auditing, the limits to the concentration of the auditor's business and, in general, the other regulations on the independence of auditors.
6. Report, in advance, to the Board of Directors on all the matters established by law, the Articles of Association and the Board Regulations, in particular, on:
1. the financial information which the company must publish periodically,
 2. the creation or acquisition of shares in entities with a special purpose or domiciled in countries or territories considered to be tax havens and
 3. operations with related parties.
7. Safeguard the independence and efficiency of the internal audit functions; propose the selection, appointment and removal of the head of the internal audit service; propose the budget for this service; approve or propose approval to the Board of the guidance and annual work plan for internal audit, ensuring that the activity is primarily focused on relevant risks (including reputational risks; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
8. Establish and supervise a mechanism that will allow employees, and other people related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report, irregularities of potential importance, including financial and accounting irregularities or of any other nature related to the company that they notice within the company or its group. Said mechanism must guarantee confidentiality and, in any case, foresee cases in which communications can be made anonymously, respecting the rights of the complainant and the accused.
9. Generally, ensure that established internal control policies and systems are effectively applied in practice. Supervise compliance with internal codes of conduct and the rules of corporate governance.

c) Operation.

The Audit and Control Committee will meet at least once a quarter, and as often as is appropriate, on being convened by its Chairman, on his own decision or in response to the request of two of its members or of the Board of Directors.

The Audit and Control Committee may require the attendance at its meetings of any employee or executive of the company, as well as the Company's Auditor.

Through its Chairman, the Audit and Control Committee will report to the Board on its activity and the work carried out, at the meetings established for this purpose or at the immediately following meeting when the Chairman of the Audit and Control Committee considers it necessary. The minutes of its meetings will be available to any member of the Board who requests them.

Furthermore, other Directors non members can assist to the meeting of the Executive Committee, provided they have been previously invited by the Chairman.

Article 26. The Nominations, Remuneration and Corporate Governance Committee

a) Composition.

The Nominations, Remuneration and Corporate Governance Committee will be made up of a minimum of three and a maximum of six Directors, and will comprise exclusively Non-Executive Directors appointed by the Board of Directors, at least two of whom must be Independent Directors. The Chairman of the Committee will be appointed out of the Independent Members that form part of it.

b) Competences

The Nominations, Remuneration and Corporate Governance Committee shall have at least the following competences:

1. Evaluate the necessary competence, knowledge and experience on the Board of Directors. For these purposes, it will define the functions and aptitudes necessary in the candidates who are to cover each vacancy and will evaluate the time and dedication required to carry out their undertaking efficiently.
2. Establish a representation target for the least-represented gender on the Board of Directors and draw up guidelines on how to reach that target.
3. Submit proposals to the Board of Directors for the appointment of independent directors to be appointed by co-optation or to be submitted to the decision of the General Shareholders' Meeting, together with proposals for the re-election or removal of such Directors by the General Shareholders' Meeting.
4. Report on the proposals for the appointment of the other Board members for appointment by co-optation or to be submitted to the decision of the General Shareholders' Meeting, together with proposals for their re-election or removal by the General Shareholders' Meeting.

5. Report on the proposals for the appointment and removal of senior executives and the basic conditions of their contracts.
6. Examine and organize the succession of the Chairman of the Board of Directors and of the Chief Executive Officer of the company and, as the case may be, submit proposals to the Board of Directors so that the aforementioned succession can take place in an orderly and planned manner.
7. Propose to the Board of Directors the remuneration policy for Directors and general managers or whoever carries out their senior management functions directly depending on the Board, Executive Committees, or Managing Directors, as well as the individual remuneration and other contractual conditions of Executive Directors, ensuring that the policy is followed.
8. Supervise and control the fulfilment of the rules of the corporate governance and the politics and plans of the social corporate responsibilities, proposing to the Board all Reports that may be necessary, also ensuring that the corporate culture is aligned with its purpose and values
9. Supervision of the application of the general policy regarding the communication of economic-financial, non-financial and corporate information as well as communication with shareholders and investors, proxy advisors and other interest groups. Likewise, the way in which the entity communicates and relates to small and medium shareholders will be monitored.
10. The evaluation and periodic review of the corporate governance system and the company's environmental and social policy, in order for them to fulfil their mission of promoting the social interest and take into account, as appropriate, the legitimate interests of the remaining stakeholders
11. Supervising that society's practices in environmental and social matters are in line with the established strategy and policy.
12. The supervision and evaluation of the relationship processes with the different stakeholders

All the actions carried out by the Nominations, Remuneration and Corporate Governance Committee will be reported to the Board of Directors at the first meeting held by the Board, and the corresponding documentation shall in any case be made available to the Board so that it can be informed of such actions in order to carry out its duties.

c) Functioning

The Nominations and Remunerations' Committee will meet as many times as the Chairman considers it necessary or when requested by two of its members with voting right or by the Board of Directors.

Furthermore, other Directors non members can assist to the meeting of the Executive Committee, provided they have been previously invited by the Chairman.

Title V. RIGHTS AND OBLIGATIONS OF DIRECTORS

Chapter I. RIGHT AND DUTY OF INFORMATION

Article 27. Right and Duty of Information

1. Directors must keep informed diligently of the Company's progress, gathering for that purpose as much information as is necessary or advisable from time to time for the proper discharge of their duties.

For that purpose, Directors are empowered with the widest faculties to obtain information on any aspect of the Company, to examine its books, records, documents and other information on the corporate operations.

The aforesaid right of information also extends to the different subsidiary companies which, as the case may be, make up the consolidated Group, to the extent necessary to permit compliance with the duties referred to in article 6 of these Regulations.

2. In order to not disturb the ordinary running of the Company, the right to information will be channelled through the Chairman or the Secretary of the Board of Directors who will respond to a Director's requests by providing him/her with the information directly or offering him/her the appropriate persons to contact at the pertinent level of the organization.

Article 28. Assistance from Experts

1. In order to be assisted in discharging their duties, Directors may obtain from the Company the necessary advising to fulfil their duties. In special circumstances, the contracting of legal, accounting or financial advisers or other experts may even be requested, at the Company's expense.

The engagement must necessarily concern specific problems of certain relevance and complexity that arise in the course of their duties.

2. The decision to contract such services must be reported to the Chairman of the Company and will be instrumented through the Secretary of the Board unless the Board of Directors does not consider this to be necessary or advisable.

Article 29. Duty of Diligence

Directors shall carry out the post and comply with the duties imposed by law, the Articles of Association and these Board of Directors' Regulations with the diligence of an orderly entrepreneur, taking into account the nature of the post and the functions attributed to each of them, and subordinate, in any case, their particular interest to the interest of the Company. Consequently, they are bound, in discharging the post, to:

- a) Obtain information and prepare adequately for the meetings of the Board and of any Committees they belong to;
- b) Attend the meetings of the bodies of which they are members and participate actively in the deliberations, so that their opinion contributes effectively to decision making, and take responsibility for such decisions;
- c) Fulfil any specific undertaking entrusted to them by the Board of Directors and reasonably included in their dedication commitment;
- d) Promote the investigation of any irregularity in the Company's management that may have come to their attention and ensure that adequate control measures are taken on any situation of risk.
- e) Request that a meeting of the Board of Directors be convened when they consider it appropriate, or that the matters they consider appropriate be included in the Agenda.
- f) Object to resolutions that are contrary to law, the Articles of Association or the corporate interest, and request that their objection be noted in the Minutes.

In discharging their duties, Directors have the duty to demand and the right to obtain from the Company adequate and necessary information to permit them to comply with their obligations.

In any case, Directors must dedicate to their duties the time and effort necessary to discharge them efficiently, and they must inform the Nominations, Remuneration and Corporate Governance Committee of any circumstances that could interfere with the required dedication.

In this regard, Directors may not belong to more than 10 Boards of Directors, excluding the Board of Minor Hotels Europe & Americas, S.A. and that of holding companies or family companies, except with the express authorization of the Nominations and Remuneration Committee, taking into account the circumstances of each case.

Article 30. Duty of Faithfulness

In discharging the duties of their post, Directors must comply with the duties imposed by law and by the Articles of Association in a manner faithful to the corporate interest, which is understood to be the interest of the Company.

Article 31. Duty of Secrecy

1. Even after they have ceased to hold their post, Directors must keep secret all confidential information and data, reports or details they are aware of as a result of their post, which may not be communicated to third parties or disclosed when this could have damaging consequences to the corporate interest.

Cases in which the law permits the communication or disclosure of information to third parties or in which the information is required or has to be conveyed to the respective supervisory authorities are an exception from the duty referred to in the preceding paragraph, and in such cases the assignment of information must conform to the provisions of law.

2. All the documentation and information available to the Directors by virtue of their post is confidential and may not be revealed in any way whatsoever, unless a resolution of the Board of Directors expressly establishes an exception.
3. When the Director is a legal entity, the duty of secrecy shall apply to the representative of that legal entity, notwithstanding compliance with the representative's obligation to report to the legal entity represented.

Article 32. Duty of Loyalty and Duty to Avoid Situations of Conflict of Interest

1. Directors shall carry out the post with the loyalty of a faithful representative, acting in good faith and in the best interest of the Company.

In particular, the duty of loyalty requires that Directors:

- a) Do not exercise their faculties for purposes other than those for which they were granted.
- b) Keep secret all information, data, reports or antecedents to which they have had access in the course of their duties, even after they have ceased to hold their post, except in the cases permitted or required by law.
- c) Refrain from participating in the deliberation and voting on resolutions and decisions in which they or a related person have a direct or indirect conflict of interests. Resolutions or decisions that affect Directors in their capacity as Board members, such as their appointment or revocation for posts on the

management bodies and other similar resolutions or decisions will be excluded from the above obligation.

Proprietary Directors who represent or are linked to the parent company, with the particularities provided for in the Law, must not abstain.

- d) Carry out their duties under the principle of personal responsibility with freedom of criteria or judgement and independence with respect to instructions from and relations with third parties.
- e)
- f) Adopt the necessary measures to avoid incurring in situations in which their interests may come into conflict with the corporate interest and with their duties to the company.

In particular, the duty to avoid situations of conflict of interest referred to in point e) above requires that Directors refrain from:

- i) Carrying out transactions with the Company, except when they are ordinary operations carried out under standard conditions for customers and are not material, which are understood to be those that need not be reported in order to express a true and fair view of the equity, the financial position or the results of the Company.
- ii) Using the Company's name or invoking their status as Director to cause undue influence on private operations.
- iii) Making use of the corporate assets, including the Company's confidential information, for private purposes.
- iv) Taking advantage of the Company's business opportunities.
- v) Obtaining advantages or remuneration from third parties other than the Company and its group associated to the performance of their post, unless these are merely a courtesy.
- vi) Carrying on activities on their own account or on account of another that entail effective competition, whether real or potential, with the Company or that otherwise place them in permanent conflict with the Company's interests.

The above provisions shall also apply in the event that the beneficiary of the prohibited acts or activities is a person related to the Director, as defined in article 231 of the Companies Act.

The Company may release Directors from the prohibitions contained in this article, in accordance with the terms of article 230 of the Companies Act.

In any case, Directors must inform the Board of Directors of any situation of conflict of interest, whether direct or indirect, that they or persons related to them may have with the Company's interest.

The situations of conflict of interest incurred by the Directors shall be disclosed in the Notes to the Financial Statements.

2. For the purposes of the provisions of these Regulations, related persons are deemed to be the persons referred to in article 231 of the Companies Act.

Article 33. Prohibition of competition

Directors may not engage on their own account or on account of another, in the same, similar or a complementary activity to that which constitutes the corporate object, except with the express authorization of the competent bodies of the Company. In this regard, Directors must make the same communication as is indicated in the preceding article.

Article 34. Specific duties deriving from the Company's status as a listed company.

1. Directors must inform the Company of the securities of the Company that they hold directly or indirectly, in the terms established in the legislation on the Securities Market and the Internal Rules of Conduct.
2. Directors may not carry out, nor suggest that any person carry out, operations on the Company's securities or those of Group companies, on which they have, by virtue of their post, privileged or reserved information that has not been made public.
3. Directors may not use information of the Company that is not public for private purposes, unless the following conditions are met:
 - a) the use of such information does not breach the legislation regulating the securities market;
 - b) the use of the information does not cause any damage to the Company; and
 - c) the Company does not hold an exclusive right or legal position of similar significance on the information sought to be used, except with the express authorization of the Board.
4. Notwithstanding the provisions of the preceding paragraphs, Directors must at all times observe the rules of conduct established in the legislation on the Securities Market and, especially, those enshrined in the Internal Rules of Conduct on Matters Related to Securities Markets.

Article 35. Directors' Liability

The Directors will be liable to the Company, to the shareholders, and to creditors of the Company for any damage they cause through actions or omissions that are contrary to

law or the Articles of Association or through those carried out in breach of the inherent duties of their post, in the terms and conditions established by law.

Chapter III. DIRECTORS' REMUNERATION

Article 36. Directors' Remuneration

Section One: General Considerations

- 1.- Notwithstanding the provisions of paragraph four below, the Directors' remuneration shall consist of a fixed annual allowance and an allowance for attending meetings of the Board of Directors and of its executive and consultative committees, the amounts of which will be determined by the General Shareholders' Meeting.
2. In addition, and independently of the remuneration contemplated in the preceding paragraph, remuneration systems linked to the listed value of the shares or that entail the handover of shares or option rights on shares to Directors may be established. The application of such remuneration systems must be resolved upon by the General Shareholders' Meeting, which will determine the maximum number of shares that may be assigned each year to this remuneration system, the price of exercising or the system for calculating the price of exercising the share options, the value of the shares, as the case may be, used as a reference, duration of the plan and other conditions it considers appropriate. Furthermore, following compliance with the requisites established by law, similar remuneration systems may be established for company personnel – whether executive personnel or not.
3. The maximum amount of the annual remuneration of all the Directors taken as a whole for their posts as Board members must be approved by the General Meeting and will remain in effect until a modification thereto is approved. Unless the General Meeting establishes otherwise, the distribution of the remuneration among the different Directors will be established by the Board's decision, which must take into consideration the functions and responsibilities attributed to each Director.
4. Executive Directors shall be entitled to receive remuneration for the executive functions carried out in the context of their employment or mercantile relationship with the Company, which will include their duty as a Board member. Accordingly, such remuneration will include both executive functions and the duties as a Board member. In particular, such remuneration will be made up of the following components: (a) a fixed portion, in line with the services and responsibilities undertaken; (b) a variable component, correlated to an indicator of the CEO's or the Company's performance; (c) benefits, which will include the pertinent insurance; and (d) compensation in the event of early termination of the provision of executive services not due to a breach attributable to the Director. The determination of the amounts of the remuneration items referred to in this paragraph will be in line with market conditions and will take into account the inherent responsibility and degree of commitment of the role of each Executive Director.

Section Two: Annual Report on Remuneration

The Board of Directors must draw up and publish each year a Report on the Directors' Remuneration, which will include the remuneration they receive or are to receive by virtue of their status as Board members, and, as the case may be, for fulfilling executive functions.

The Annual Report on the Directors' Remuneration shall include complete, clear and comprehensible information on the remuneration policy for Directors applicable in the current year. It will also include an overall summary of how the remunerations policy was applied during the year, and a detail of the individual remuneration accrued in respect of all items in favour of each of the Directors in that year. The Annual Report on Directors' Remuneration will be submitted to a vote, on a consultative basis, as a separate item on the agenda, to the Ordinary General Shareholders' Meeting.

Section Three: Remuneration Policy

1. In addition, the Board of Directors will propose a remuneration policy for Directors which will indicate the grounds and must be accompanied by a specific report of the Nominations and Remuneration Committee. Both documents will be made available to shareholders on the Company's website from the time the shareholders meeting is called. The Directors' remuneration policy must contain the provisions provided by law, being approved by the General Shareholders' Meeting at least every three years as a separate item on the agenda.
2. The Directors' remuneration policy thus approved shall remain in effect for three years following the year in which it is approved by the General Meeting. However, proposals for new remuneration policies for directors must be submitted to the General Shareholders' Meeting prior to the end of the last year of application of the previous one, and the general meeting may determine that the new policy is applicable from date of approval and during the following three years. Any modification or substitution of the same during said period will require the prior approval of the General Shareholders' Meeting in accordance with the procedure established for its approval.
3. If the proposal of a new remuneration policy is rejected by the general meeting of shareholders, the Company will continue to remunerate its directors in accordance with the remuneration policy in force on the date of the general meeting and must submit for approval of the next ordinary General Shareholders' Meeting of shareholders a new remuneration policy proposal.

If the annual report on directors' remuneration is rejected in the consultative vote of the ordinary general meeting, the Company may only continue to apply the remuneration policy in force on the date the general meeting is held until the next ordinary General Shareholders' Meeting.

4. Any remuneration that the Directors receive for the exercising or termination of their post and for carrying out executive duties will be in line with the Directors' remuneration policy in force from time to time, except for remuneration that has been expressly approved by the General Shareholders' Meeting.

TITLE IV. RELATIONS OF THE BOARD

Article 37. Relations with Shareholders

1. The Board of Directors, in its capacity as liaison between owners and management, will provide adequate channels to examine any proposals made by shareholders in relation to the running of the Company.

In particular, the Board will facilitate the regular exchange of information with committees or groups of shareholders, without this giving rise, under any circumstances, to any kind of privilege for the shareholders grouped in such committees.

2. The Board may, through some of its Directors and with the collaboration of the members of senior management considered appropriate, organize informative meetings concerning the progress of the Company and its Group with shareholders residing in the most relevant financial locations in Spain and other countries.
3. In its relations with shareholders, the Board of Directors will guarantee equality of treatment.
4. The Board of Directors will promote the informed participation of shareholders at General Meetings and will take as many measures as may be appropriate so that the General Shareholders' Meeting can exercise the functions attributed to it by law or the Articles of Association.

Article 38. Relations with Institutional Shareholders

1. The Board of Directors will also establish adequate mechanisms for the regular exchange of information with the Company's institutional shareholders.

In particular, the information will concern investment strategies, an evaluation of results, the composition of the Board of Directors and efficiency in management.

2. The relations between the Board of Directors and institutional shareholders may not under any circumstances lead to the delivery to such institutional shareholder of information that could give them an advantage compared to other shareholders.

Article 39. Transactions with shareholders with significant shareholdings

1. The Board of Directors formally reserves the examination and authorization of any transactions between the Company and any of its shareholders with significant shareholdings.
2. It will not authorize the transaction under any circumstances if a prior report has not been issued by the Audit and Control Committee evaluating the operation from the standpoint of equality of treatment of shareholders and the market conditions of the operation.
3. In the case of ordinary transactions, a generic authorization for such operations and of their general conditions shall be sufficient.

Article 40. Relations with Markets

1. The Board of Directors will carry out as many functions as are imposed by the Company's status as a company issuing listed securities.
2. In particular, the Board will carry out the following specific functions in relation to the Securities Market, in the manner established in these Regulations:
 - a) The supervision of periodic public reporting of financial information.
 - b) Carrying out any acts and taking any measures as may be necessary to ensure the transparency of the Company in relation to the financial markets, in particular reporting to such markets any events, decisions or circumstances that may be relevant for the listed price of the shares.
 - c) Carrying out any acts and taking any measures as may be necessary to promote the correct formation of the prices of the Company's shares and, as the case may be, of the shares of its subsidiaries, preventing in particular manipulations and abuses of privileged information.
3. The Board of Directors will take the necessary measures to ensure that half-yearly, quarterly and any other financial information it is prudent to make available to the markets is drawn up pursuant to the same principles, criteria and professional practice as are applied in drawing up the Annual Accounts and that such information is as reliable as such accounts. For that purpose, the aforesaid information will be reviewed by the Audit and Control Committee.
4. The Board of Directors shall ensure at all times the proper safeguarding of the data and information relating to the issued securities, notwithstanding its duty of communication and collaboration with judicial or administrative authorities, preventing such data or information from abusive or unfair use, and reporting any cases where these have taken place and taking immediately the necessary measures within

its power to guard against, prevent and, as the case may be, correct any consequences deriving therefrom.

Article 41. Relations with the Auditors

1. The Board of Directors will establish, through the Audit and Control Committee, a stable professional relationship with the Company's auditors, while strictly respecting their independence.
 2. The Board of Directors shall strive to draw up the accounts definitively in such a way that there are no qualifications by the Auditor. However, when the Board considers that it must uphold its criterion, it will explain publicly the content and scope of the discrepancies.
-