

**THE REGULATIONS OF THE INTERNAL FUNCTIONING OF  
THE BOARD OF DIRECTORS OF “GRIFOLS S.A.”**

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## **REGULATIONS OF THE INTERNAL WORKING OF THE BOARD OF DIRECTORS OF "GRIFOLS S.A."**

### **CHAPTER I INTRODUCTION**

#### **Article 1. Purpose**

1. The object of these Regulations is to determine the principles of performance of the Board of Directors of "GRIFOLS S.A." (the "**Company**"), the basic rules of its organisation, operations and the codes of conduct of Board members.
2. The codes of conduct established in these Regulations for the directors will be applicable, to the extent that they are compatible with their specific nature, to the Executive Officers of the Company. To this effect, the Managing Directors will undertake as Executive Officers to develop executive management operations under the direct guidance of the Board of Directors.

#### **Article 2. Interpretation**

The current Regulations will conform to the applicable legal and statutory rules, within the criteria of good corporate governance and will fundamentally serve its spirit and purpose, corresponding to the Board of Directors of the Company to resolve the interpretative questions that may arise from its application.

#### **Article 3. Amendment**

1. The current Regulations can only be amended at the request of the Chairperson, by one-third (1/3) of the members of the Board in office or by the Audit Committee, the proposal of which must be accompanied by a justifying report. The summons to a specific meeting for this purpose must take place with the due notice foreseen in the Articles of Association.
2. Amendment proposals must be instructed by the Audit Committee.
3. The text of the proposal, the justifying report by its authors and, when appropriate, the report by the Audit Committee must be attached to the summons of the meeting of the Board that will discuss the item.
4. In order to be valid, the amendment of the Regulations will require a resolution passed by the majority established in the Articles of Association.

#### **Article 4. Circulation**

1. The Directors and Executive Officers have the obligation to know, fulfil and enforce these Regulations, for which purpose the Secretary of the Board shall provide a copy to all of them.
2. The Board of Directors will take the appropriate measures to ensure that these Regulations are circulated among shareholders and public investors in general, and especially notify to the National Stock Exchange Commission of its registration at the Commercial Registry and its publication on the Company's web page.

## CHAPTER II PURPOSE AND DUTIES OF THE BOARD

### Article 5. Purpose and duties of the Board

1. Except for matters reserved to the competence of the General Shareholders' Meeting, the Board of Directors is the highest decision-making body in the Company.
2. The Board shall perform its duties united in purpose and independent in criteria, and shall treat all shareholders in the same manner and be guided by the interests of the Company that are to continuously maximise the economic value of the company.
3. The Board shall also ensure that in relations with stakeholders the Company shall observe all laws and regulations; fulfil its obligations and agreements in good faith; respect uses and good practices of the sectors and territories where it carries out activities; observe any additional social responsibility principles accepted voluntarily; and defend its foundational philosophy, expressed in the application of ethical rules reflected in the "Code of Ethics of Grifols Group" and directed towards achieving maximum security, quality and efficiency standards in the production and commercialization of its products.
4. As the core of its duties, the Board shall approve the strategy of the Company and the necessary organization for its implementation, as well as supervise and control that the Management meets objectives and respects the corporate purpose and interest of the Company. For this purpose, the Board in full shall reserve the capacity to approve:
  - (a) The general policies and strategies of the Company, and in particular:
    - (i) The Strategic or Business plan, as well as management objectives and annual budgets;
    - (ii) The investments and finance policy;
    - (iii) The definition of the Group's structure;
    - (iv) The corporate governance policy;
    - (v) The sustainability policy;
    - (vi) Top management remuneration and performance evaluation;
    - (vii) Risk control and management policy, as well as periodic monitoring of internal information and control systems;
    - (viii) The dividend policy and the own shares policy, and particularly their limitations.
  - (b) The following decisions:
    - (i) On the proposal of the Company's Chief Executive Officer, the appointment and eventual resignation of the directors, as well as their indemnity clauses;
    - (ii) A contract entered into between the member of the Board of Directors appointed Chief Executive Officer, or who has been given executive duties, and the Company, detailing all the concepts for which said member can receive remuneration for performing executive duties.

- (iii) The determination of the remuneration to be perceived by each director in his/her condition as such, as well as the determination of the additional remuneration of the directors for the performance of executive duties and the terms and conditions that should be observed in their contracts, in accordance with the Law and the directors' remuneration policy approved by the General Shareholders Meeting;
  - (iv) Financial information that the Company should make public periodically due to its being listed on the stock market.
  - (v) All types of investments or transactions that, due to their high amount or special characteristics, are of a strategic nature, except if their approval corresponds to the General Shareholders' Meeting;
  - (vi) The creation or acquisition of shareholdings in special purpose entities or domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could damage the transparency of the Group.
  - (vii) Monitoring the drafting and reporting process of the financial information and the management report, which shall include, when appropriate, the mandatory non-financial information, and present recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity.
- (c) Transactions that the Company enters into with Directors, major shareholders or shareholders represented on the Board, or with related parties ("related party transactions").

However, this authorization from the Board will not be required in third party transactions that simultaneously fulfil the following three conditions:

- 1st. Those which are entered into according to agreements where the conditions are standard and are applied en masse to many clients;
- 2nd. Those which are entered into at general prices or rates set by the supplier of the goods or service in question;
- 3rd. Those which amount does not exceed 1% of the annual revenue of the Company.

The Board shall approve third party transactions following a favourable report from the Audit Committee. The members affected by such third party transactions, besides not exercising nor delegating their right of vote, shall leave the boardroom while the Board deliberates and votes on them.

5. The duties assigned to the Board in the above section cannot be delegated, except, for reasons of urgency, those included in points (b) and (c). In this case, they will later be ratified by the Board in full.

### **CHAPTER III COMPOSITION OF THE BOARD**

#### **Article 6. Qualitative Composition**

1. The Board of Directors, exercising its powers of proposal to the General Meeting and co-optation, shall ensure that the latter is composed of Directors in the following categories:

- (a) Executive Directors: These will be the directors performing management duties in the Company or a Group company, whatever may be the legal bond with it, as well as those who perform management duties and, at the same time, are or represent a relevant shareholder or a shareholder represented at the Board of Directors.

However, directors who are top management directors or directors of entities within the Group of the controlling entity of the Company shall be considered in said entity as proprietary directors.

- (b) Proprietary non-executive Directors: within this category, the following will be included:
- (i) Those who have a shareholding higher or equal to what is legally considered a significant shareholding or have been appointed because they are shareholders, although their shareholding does not reach such amount.
  - (ii) Representatives of the shareholders indicated in the aforementioned point.
- (c) Independent non-executive Directors: these will be understood as those directors who, appointed due to their personal and professional conditions, can fulfil their functions without being conditioned by relationships with the Company or its Group, its main shareholders or directors.

In no event can any of the following qualify as independent directors:

- (i) Employees or executive directors of any of the Group's companies, unless 3 or 5 years have elapsed, respectively, since the termination of this relationship;
- (ii) If they receive from the Company, or from the same Group, any amount or benefit under any other concept than a director's remuneration, unless it is insignificant to the director;

For the purpose of this section, neither dividends nor pension benefits received by the director due to his former professional or labour relationship shall be taken into account, provided that these benefits are of an unconditional nature and, consequently, the company that satisfies them does not have the option, without disregarding obligations, to suspend, modify or revoke its accrual.

- (iii) If they are, or have been, during the last 3 years, partners of the external auditors or are or have been responsible for the audit report, whether it is the audit for those years of the Company or of any other company in the Group.
- (iv) If they are executive directors or top managers of a different company in which any executive director or top manager of the Company is a non-executive director.
- (v) If they have or have had, during the preceding year, an important business relationship with the Company or with any other company in the Group, whether in their own name or as a significant shareholder, director or top manager of an entity that has or has had such a relationship.

Business relationships will be understood as those with suppliers of goods or services, including financial, advisory and consultancy services.

- (vi) If they are significant shareholders, executive directors or top managers of an entity that receives or has received during the last 3 years, significant donations from the Company or its Group.

Trustees of foundations who receive donations will not be included in this section.

- (vii) If they are spouses, persons with a similar direct relationship, or second-degree relatives of an executive director or top manager of the Company.
- (viii) If they have not been proposed, whether for appointment or renewal, by the Appointments and Remunerations Committee.
- (ix) If they have been directors for over 12 consecutive years.
- (x) If they are, with regard to a significant shareholder or director, in any of the situations indicated in numbers (i), (v), (vi) or (vii) above. In the case of kinship indicated in number (vii), the limitation shall be applied not only to the shareholder, but also to the proprietary directors in the participated company.

The proprietary directors who lose this condition as consequence of the sale of the shareholding by the shareholder they represent, can only be re-elected as independent directors when the shareholder they have been representing until then sells the total amount of his/her shares in the Company.

A director who owns a shareholding in the Company may be an independent director, provided that he/she complies with all the conditions set out above and that his/her shareholding is not significant.

- (d) Other External Directors: These will be understood as the non-executive directors who are neither proprietary nor independent.

2. Both the Board of Directors, exercising its power of proposal to the General Shareholders' Meeting and co-option for the coverage of vacant posts, and the Appointments and Remunerations Committee, exercising its power of proposal to the Board of Directors, will endeavour that in the composition of the body there exists a majority of non-executive directors.
3. In order to establish a reasonable balance between proprietary directors and independent directors, the Appointments and Remunerations Committee, exercising its powers of proposal, and the Board, exercising its powers of proposal and of co-option, will follow the ownership structure of the Company in such a way that the relationship between each kind of Board Director reflects the relationship between stable capital and floating capital.

## **Article 7. Quantitative Composition**

1. The Board of Directors will be formed by a number of Directors that is determined by the General Shareholders' Meeting within the limits set in the Articles of Association of the Company.

2. The Board shall propose to the General Shareholders' Meeting the number of Directors that, according to the prevailing circumstances of the Company, are most adequate to ensure due representation and the effective operation of the board.

## **CHAPTER IV STRUCTURE OF THE BOARD**

### **Article 8. The Chairperson of the Board**

1. The Chairperson of the Board of Directors will be elected from among its members, and shall be capable of acting as Chief Executive Officer of the Company, in which case his appointment will require the favourable vote of two thirds of the members of the Board of Directors. In this case, all of the faculties that can be delegated will be delegated to him/her in accordance with the Law, the Articles of Association and these Regulation, and the effective business management of the Company will correspond to him/her, always in accordance with the decisions and criteria set out by the General Shareholders' Meeting and the Board of Directors within the limits of their respective competence.
2. The Chairperson will have the power to call and chair the Board of Directors' meetings, determine the agenda and lead discussions and deliberations, as well as chairing the General Shareholders' meetings.

Notwithstanding the foregoing, the directors constituting at least one-third (1/3) of the members of the Board of Directors will be able to call the Board if, after requesting the Chairperson to do so, the Chairperson has not called the meeting within a term of one month.

3. Likewise, it is the Chairperson's responsibility to ensure that the directors receive sufficient information to discuss the items on the agenda in advance; to stimulate the debate and the active participation of the directors during the Board meetings, safeguarding their freedom to take a position or express an opinion; and, to organize and coordinate with the chairmen of the relevant committees the periodic evaluation of the Board, and, if applicable, the evaluation of the Chief Executive Officer or managing director.
4. In the event that the Chairperson is also the managing director, the Board of Directors must appoint a coordinating director amongst the independent directors. Such coordinating director shall be authorized to request the calling of a Board of Director Meeting or the inclusion of new points on the agenda of a Meeting already convened, coordinate and gather the external directors and direct, when applicable, the Chairperson's periodic evaluation by the Board.

### **Article 9. The Vice-Chairperson**

1. The Board of Directors may appoint one or several Vice-Chairpersons, who will substitute the Chairperson, in the case of his incapacity or absence, in the exercise of said duty.
2. If several Vice-Chairpersons are appointed, they will carry out their duties according to the order in which they were appointed, ensuring that the post of Second Vice-Chairperson is given to an independent member.

### **Article 10. The Secretary of the Board**

1. The Board of Directors shall appoint a Secretary. The Secretary of the Board of Directors does not have to be a member of the Board.

2. The Secretary, in addition to the duties he is assigned by either the Law or the By-laws, must:
  - (a) keep the Board of Directors' documentation, duly record in the book of minutes the proceedings of the meetings and certify its contents and approved resolutions;
  - (b) ensure that the Board of Directors' actions are in accordance with the applicable regulations, the company's by-laws and any internal regulations; and
  - (c) assist the Chairperson to ensure that the directors receive, in advance and in the appropriate format, the necessary information to perform their duties.
3. The Secretary shall take care at all times of the formal and material legality of actions of the Board and shall guarantee that its procedures and rules of governance are respected and regularly reviewed. Moreover, the Secretary shall clearly express his/her opposition when any proposal made to the Board could be contrary to the interests of the company or could harm the shareholders not represented on the Board.

#### **Article 11. The Vice Secretary of the Board**

1. The Board of Directors shall appoint one or several Vice-Secretaries, who do not have to be Directors, so they can assist the Secretary of the Board of Directors or substitute him/her, in the case of absence, to carry out such duties. If several are appointed, they will carry out their duties according to the order in which they were appointed.
2. The Vice Secretary shall attend Board meetings to substitute the Secretary or to assist him on request by the Chairperson.

#### **Article 12. Sub-Committees of the Board of Directors**

1. Without prejudice to the delegation of powers to individuals, or to the Chairperson or to any other directors (managing Directors), as well as the power that allows it to establish Sub-Committees in specific areas of activity, the Board of Directors may decide to constitute the following committee:

- (a) an Executive Committee, with general decision-making powers; and
- (b) a Sustainability Committee, with the powers established in article 15 bis of these Regulations.

Likewise, the Board must necessarily establish the following committees:

- (a) an Audit Committee, with the powers established in the Articles of Association and in article 14 of these Regulations; and
  - (b) an Appointments and Remunerations Committee, with the powers established in article 15 of these Regulations.
2. The Committees will regulate their own operation and will have a Chairperson and a Secretary, who may not be Directors and shall meet when called by the respective Chairperson of the Committee. The Committees will prepare a yearly calendar of meetings that they shall present to the Board of Directors. In matters not specifically regulated, the rules of operation established in these Regulations shall be applied in



relation to the Board of Directors, provided always that they are compatible with the nature and operation of the committee.

### **Article 13. The Executive Committee**

1. The Executive Committee, if any, will be composed of a number of Directors who in each case are determined by the Board of Directors, with a minimum of three (3) and a maximum of seven (7).

The qualitative composition of the Executive Committee shall reasonably reflect the composition of the Board and the balance established in this body among Executive, Proprietary and Independent Directors.

2. The adoption of appointment resolutions for the members of the Executive Committee will require a favourable vote from at least two-thirds (2/3) of the members of the Board of Directors.
3. The Chairperson of the Board of Directors will act as Chairperson of the Executive Committee and the duties of Secretary will be carried out by (a) the Secretary, or (b) a Vice-Secretary of the Board of Directors, at his/her choosing, who may be assisted or, as the case may be, substituted by (a) the Secretary or the following Vice-Secretaries, according to priority (when the duties are carried out by a Vice-Secretary), or (b) a Vice-Secretary, according to priority (when the duties are carried out by the Secretary).
4. The permanent delegation of powers by the Board of Directors in favour of the Executive Committee shall comprise all the powers of the Board, except those of a legal or institutional nature that cannot be delegated or those that cannot be delegated by virtue of what is established in these Regulations.
5. The Executive Committee will endeavour to hold its general meetings on a monthly basis. However, it shall always meet when the Chairperson calls a meeting or it is requested by one-third (1/3) of its members.
6. In those cases that, at the judgement of the Chairperson or one third (1/3) of the members of the Executive Committee when exercising their duties, and the importance of the matter so advises, the agreements adopted by the Committee shall be subject to the ratification of the Board of Directors in full.

The same applies to those matters that the Board has referred to the Executive Committee for study, reserving the right to make the final decision.

In any other cases, the resolutions adopted by the Executive Committee shall be valid and binding, without the need for later ratification by the Board in full. In the case of a tied vote, the vote of the Chairperson shall be final.

7. The Executive Committee must inform the Board of matters discussed and of resolutions adopted during its meetings. All the members of the Board shall receive a copy of the minutes of the Executive Committee meetings.

### **Article 14. The Audit Committee**

1. The Audit Committee shall be formed by three (3) to five (5) Directors, appointed by the Board of Directors, taking into account their knowledge, competence and experience in accounting, audit and risk management (both financial and non-financial) and Committee

duties. As a group, the members of the Committee shall have the pertinent technical knowledge in relation to the sector of activity of the Company.

2. The Audit Committee shall be exclusively composed of non-executive directors, of which at least the majority must be independent directors. Likewise, efforts will be made to ensure that all members of the Audit Committee, the Chairperson included, meet the independence, experience and any other requirement set out by the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers Automated Quotation (NASDAQ).
3. The Board of Directors will appoint the Chairperson of the Audit Committee, a position that shall be necessarily held by an independent director. The Chairperson of the Committee must be replaced every four (4) years and may be re-elected after the term of one (1) year has elapsed.
4. The Board of Directors shall appoint the Secretary of the Audit Committee, who may be (a) one of the members of the Audit Committee (in which such case, it will be the Secretary member of the Audit Committee), (b) any other member of the Board of Directors of the Company who is not a member of the Audit Committee (who, in such case, will be Secretary non-member of the Audit Committee); or (c) the Secretary or a Vice-Secretary of the Board of Directors of the Company (who, in such case, will be Secretary non-member of the Audit Committee). The Secretary shall draft the minutes of the resolutions adopted in each committee meeting and shall report to the Board of Directors through their Chairperson. The Audit Committee shall be validly formed when half plus one of its members are present or represented and their resolutions are approved by the absolute majority of the assisting members. If there is a tied vote, the vote of the Chairperson shall be final.
5. Notwithstanding the provisions of the Law or the Articles of Association, or other duties assigned to it by the Board of Directors, the Audit Committee will have the following basic responsibilities:
  - (a) In relation to the General Shareholders Meeting:
    - (i) Inform the General Shareholders' Meeting of questions raised in respect of those matters which are within the committee's competence and particularly with respect to the results of the audit of the annual accounts, explaining how it has contributed to the integrity of the financial information, and the role that the Committee has played in such process.
  - (b) In relation to the Board of Directors:
    - (i) Previously inform the Board of Directors about periodic financial statements, which due to its stock exchange listing, the Company must make public periodically; in this sense, the Committee will ensure that the interim accounts are drawn up under the same accounting principles as the annual accounts and for this purpose shall consider the appropriateness of a limited review by an external auditor;
    - (ii) Previously inform of the creation or acquisition of shareholdings in special purpose entities or domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature, which due to their complexity, could harm the transparency of the Group;
    - (iii) Previously inform of related party transactions;

- (iv) Inform of any matter that has or may have a material, financial or accounting impact.
- (c) In relation to the information and internal control systems:
  - (i) Supervise and evaluate the preparation and presentation, and integrity of the mandatory financial and non-financial information related to the Company and the Group, verifying compliance with the regulation requirements, the adequate defining of consolidation boundaries and the correct application of accounting criteria and submit recommendations or proposals to the Board of Directors to protect the integrity of this information;
  - (ii) Supervise and evaluate the efficiency of the Company's internal control, internal audit and risk control and management systems, financial and non-financial, concerning the Company and the Group, including any operative, technological, legal, social, environmental, political, reputational or corruption related risks, periodically reviewing the internal control and risk management systems, so that any principal risks are identified, dealt with and adequately recognized, as well as discussing, with the auditor, any major flaws in the control system identified during the audit process without jeopardizing its independence. To such effects, the Committee may, if applicable, submit recommendations or proposals to the Board of Directors and the corresponding period of time for their fulfilment;
  - (iii) Monitor the independence and efficiency of internal auditing; propose the selection, appointment and dismissal of the Director of the Internal Audit Department; approve or propose to the Board of Directors the approval of the Internal Audit Department's work orientation and annual work plan, making sure that their activity mainly focuses on the relevant risks (including reputational risks); propose the budget for this Department; receive periodic information on its activities (including the annual activities reports prepared by the Director of the Department); and verify that the top management takes into account the conclusions and recommendations of their reports;
  - (iv) Establish and supervise a mechanism that allows employees and other persons related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the Company, that they notice within the Company or its Group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party;
  - (v) In general, ensure that the internal control policies and systems established are applied effectively in practice.
- (d) In relation to the auditor:
  - (i) Submit to the Board of Directors any proposals regarding the selection, appointment, re-election and substitution of the auditor, being responsible for the selection process in conformity with the applicable regulations, including the terms of his contract, without prejudice to the faculties vested in the General Shareholders' Meeting and the Board with regard to the approval of such resolutions under Spanish law.

- (ii) Be directly in charge of the remuneration and supervision of the work performed by the external auditor regarding the audit report preparation and issuance or any other similar reports relating to financial statements.
  - (iii) Regularly and directly collect from the external auditor information about the development, impact and execution of the audits, as well as the audit plan and results of its execution, and verify that top management takes their recommendations into account;
  - (iv) Safeguard the external auditor's independence when performing his duties, and to do so:
    - Ensure that the Company communicates through the CNMV the change in auditor and shall attach a statement of the possible existence of any disagreements with the outgoing auditor and, if applicable, its contents;
    - Establish the necessary relationships with the external auditor to receive information about any issues that may entail a threat to his independence, and which the Audit Committee will examine, and any other issues regarding the development of the audit of accounts process, and, when applicable, the authorization of the services different from those prohibited in the terms established in the applicable regulations as regards independence, as well as any notifications required in the audit of accounts legislation and in the audit regulations.
    - Ensure that the Company and the auditor respect the rules in force on providing services different to audit services, the auditor's market concentration limits and, in general, any others rules established to guarantee the independence of the auditors and, to that end, annually receive from the external auditors a statement of their independence in relation to the entity, or any entities directly or indirectly related to it, as well as the detailed and individualized information on any kind of ancillary services provided and the corresponding fees paid by these entities to the external auditor or the persons or entities related to it in accordance with the regulations applicable to the audit of accounts activity;
    - Issue, prior to issuing the audit of accounts report and on an annual basis, a written opinion on whether the independence of the auditors or audit firms has been compromised. This opinion must include a reasoned assessment of each and every one of the ancillary services mentioned in the preceding paragraphs, which shall be individually and jointly assessed, different from the legal audit, and in relation to the independence status or regulations applicable to the audit of accounts activity; and
    - If the external auditor resigns, examine the circumstances that have caused said resignation.
  - (v) Encourage the Group auditor to undertake the responsibility of the audits of the companies making up the group
- (e) In relation to external consultants:

- (i) Request that legal, accounting, financial advisors or other experts or advisors be hired, on account to the Company, to assist them in the performance of their duties.
- (f) In relation to internal conduct rules
  - (i) Supervise the compliance with the Internal Conduct Regulations in matters related to the Stock Exchange, the present Regulation, standards of conduct set out in the "Code of Ethics for Grifols Executives" and the "Code of Conduct for Grifols' Employees" and, in general, any other internal rules of governance of the Company, as well as make the necessary proposals for improvement.
- 6. The Audit Committee will meet at appropriate intervals for the correct development of its operations.
- 7. Any member of the management team or Company personnel whose presence is required by the Chairperson is obliged to attend Committee meetings and offer help, and provide access to any information he/she may have. The Chairperson of the Committee may also request the presence of the Auditors at the Committee meetings.
- 8. To ensure the correct fulfilment of its duties, the Audit Committee may request advice from external professionals chargeable to the Company. For the avoidance of any doubt, in such cases, the requirements and limitations set out in Article 25 of these Regulations shall not be applicable.
- 9. As indicated by the Audit Committee, the Company shall provide adequate funding to pay the fees of the external auditors or any advisor hired by the Audit Committee, as well as to cover any ordinary administrative expenses incurred by the Audit Committee in the performance of its duties.
- 10. At the first Board Meeting following its meetings, the Audit Committee shall report on its activities and answer for the work carried out. All the members of the Board shall receive a copy of the minutes of the Audit Committee meetings.

#### **Article 15. The Appointments and Remunerations Committee**

- 1. The Appointments and Remunerations Committee will evaluate the profile of the most suitable people to form part of the various Committees and present the corresponding proposals to the Board of Directors.
- 2. The Appointments and Remunerations Committee shall be formed by three (3) to five (5) Directors, appointed by the Board of Directors, taking into account their knowledge, competence and experience and of the Committee's duties. The Appointments and Remunerations Committee will be exclusively formed by non-executive directors, of which at least two (2) will be independent directors.
- 3. The Board of Directors shall appoint the Chairperson of the Appointments and Remuneration Committee. The position of Chairperson will necessarily be held by an independent director.
- 4. The Board of Directors shall appoint the Secretary of the Appointments and Remuneration Committee, who may be (a) one of the members of the Appointments and Remuneration Committee (who, in such case, will be Secretary member of the Appointments and Remuneration Committee), (b) any other member of the Board of

Directors of the Company who is not a member of the Appointments and Remuneration Committee (who, in such case, will be Secretary non-member of the Appointments and Remuneration Committee, or (c) the Secretary or a Vice-Secretary of the Board of Directors of the Company (who, in such case, will be Secretary non-member of the Appointments and Remuneration Committee). The Secretary shall draft the minutes of the resolutions adopted at each Committee meeting and report to the Board of Directors via their Chairperson. The Appointments and Remuneration Committee shall be validly formed when half plus one of its members are present or represented and their resolutions are approved by the absolute majority of the assisting members. If there is a tied vote, the vote of the Chairperson of the Committee is final.

5. Without prejudice to other duties assigned by the Board, the Appointments and Remunerations Committee will have the following basic responsibilities:
- (a) to formulate and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, taking into account their competence, knowledge and experience necessary on the Board, specifying the duties and aptitudes that each candidate must have in case of vacancies in addition to assessing the time and commitment needed to perform their duties effective and efficiently;
  - (b) to establish a representation target for the sex that is least represented in the Board of Directors and prepare guidelines to achieve said target;
  - (c) to submit to the Board of Directors any proposals to appoint, re-elect and/or separate the independent directors prior to being submitted to the General Shareholders' Meeting or, as the case may be, being adopted by the Board exercising its power of co-option, and in all cases informing about the character of the director proposed;
  - (d) to report the proposals of appointment, re-election and/or separation of the non-independent directors for their appointment by the Board of Directors by means of co-option or their submission to the General Shareholders' Meeting by the Board of Directors;
  - (e) To report the proposals of appointment and removal of the Chairperson and Vice-chairpersons of the Board of Directors;
  - (f) to examine and organize the succession of the Chairperson of the Board of Directors and the chief executive officer and, as the case may be, to make proposals to the Board so that said succession takes place in an orderly and well planned manner;
  - (g) to report the proposals of appointment and resignation of the Secretary and Vice-Secretaries of the Board of Directors;
  - (h) to report the proposal of appointment and resignation of senior management proposed by the chief executive officer to the Board and the basic conditions of their contracts;
  - (i) to propose to the Board the Directors the directors who shall be part of each of the Committees;
  - (j) to propose to the Board of Directors the remuneration policy of the directors and general managers or anyone performing top-level management duties under the direct supervision of the Board, executive committees or executive directors, as

well as the individual remuneration and other contractual terms regarding the executive directors, ensuring its fulfilment;

- (k) to periodically review the payment programmes of executive officers, considering their adequacy and performance; and
  - (l) to report on the transactions that imply or could imply conflicts of interest and, in general, on matters covered in Chapter IX of these Regulations.
6. Any member of the management team or personnel of the Company shall be obliged to attend the Committee meetings and provide their assistance and access to information they may have, when their presence is required by the Chairperson.
  7. To ensure the correct fulfilment of its duties, the Committee may request advice from external professionals, for this purpose Article 25 of these Regulations shall be applicable.
  8. The Committee shall consider any suggestions made by the Chairperson, the members of the Board, the managers or the shareholders of the Company. In particular, (a) the Committee shall consult the Chairperson or chief executive officer on matters relating to the executive directors and (b) any member of the Board may, if they consider it appropriate, request the Committee to take into consideration any potential candidates to cover director vacancies.
  9. The Appointments and Remunerations Committee shall meet when the Company Board of Directors or the Chairperson requests a report or the adoption of a proposal and in any case, whenever it is deemed appropriate for the smooth running of its duties. In any case, it will meet once (1) a year to prepare information on remunerations to Directors which the Board of Directors must approve and include in the annual public documentation.
  10. At the first Board Meeting following its meetings, the Appointments and Remunerations Committee shall report on its activities and respond for the work carried out. All the members of the Board shall receive a copy of the minutes of the Appointments and Remunerations Committee meetings.

**Article 15 bis. The Sustainability Committee**

1. The Sustainability Committee shall be formed by three (3) to five (5) directors appointed by the Board of Directors, taking into account the knowledge, competence and experience of the directors and the duties of the Committee. The Sustainability Committee shall only be formed by non-executive members, the majority of them being independent.
2. The Board of Directors shall appoint the Chairperson of the Sustainability Committee.
3. The Board of Directors shall appoint the Secretary of the Sustainability Committee, who may be (a) one of the members of the Sustainability Committee (in which case, it will be the Secretary member of the Sustainability Committee), (b) any other member of the Board of Directors of the Company who is not a member of the Sustainability Committee (who, in such case, will be Secretary non-member of the Sustainability Committee, or (c) the Secretary or Vice-Secretary of the Board of Directors of the Company (who, in such case, will be Secretary non-member of the Sustainability Committee). The Secretary shall draft the minutes of the resolutions adopted in each committee meeting, and shall report to the Board of Directors through its Chairperson. The Sustainability Committee shall be validly formed when half plus one of its members are present or represented and their resolutions are approved by the absolute majority of the attending members. If there is a tied vote, the vote of the Committee's Chairperson shall be final.

4. Without prejudice to any other tasks given by the Board, the Sustainability Committee shall have the following basic responsibilities:
  - (a) monitor compliance with the Company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values;
  - (b) monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the Company communicates and relates with small and medium-sized shareholders should be monitored;
  - (c) periodically evaluate the effectiveness of the Company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders;
  - (d) ensure the Company's environmental and social practices are in accordance with the established strategy and policy; and
  - (e) monitor and evaluate the Company's interaction with its stakeholder groups.
5. Any member of the management team or personnel of the Company shall be obliged to attend the Committee meetings and provide their assistance and access to information they may have, when their presence is required by the Chairperson.
6. To ensure the correct fulfilment of its duties, the Committee may request advice from external professionals, for this purpose Article 25 of these Regulations shall be applicable.
7. The Sustainability Committee shall meet whenever the Board of Directors or Chairperson of the Company request a report or the adoption of proposals, and, in any event, whenever it is convenient for the correct performance of its duties.
8. At the first Board Meeting following its meetings, the Sustainability Committee shall report on its activities and respond for the work carried out. All the members of the Board shall receive a copy of the minutes of the Sustainability Committee meetings.

## **CHAPTER V OPERATION OF THE BOARD OF DIRECTORS**

### **Article 16. Board Meetings**

1. The Board of Directors will meet at the request of the Chairperson, as many times as required by Law and, in general, the number of times deemed suitable for the smooth running of the Company

Notwithstanding the foregoing, the directors constituting at least one third (1/3) of the members of the Board of Directors will be able to call the Board, indicating the agenda, to meet in the locality where the company has its registered address, if, after requesting the Chairperson to do so, the Chairperson has not called the meeting within a term of one month.



2. The summons of ordinary meetings shall take place with the notice and conformity of the procedures established in the Articles of Association.

The summons will always include the agenda for the meeting and will be accompanied by relevant information, duly summarized and prepared, submitted with sufficient time for appropriate preparation for the meeting. When, at the discretion of the Chairperson, it is deemed not advisable for security reasons, the information will not be attached and Directors will be advised of the opportunity to examine the material at the Company registered office.

3. The board will produce an annual plan of ordinary meetings, which will include dates and ordinary matters to be dealt with, notwithstanding the possibility of calling other meetings or adding extraordinary matters when circumstances so require.

#### **Article 17. Course of the Meetings**

1. Excepting those cases where other quorums are specifically required, the Board will be considered validly constituted when at least a half plus one of its Directors are present or represented.

The Directors shall make every effort to attend Board meetings and when they are not able to attend personally, they will endeavour that their representation granted to another member of the Board includes appropriate instructions. Non-executive directors may only appoint another non-executive director to represent them.

2. The Chairperson shall organise the debates, ensuring and encouraging the participation of all Directors in the deliberations of the Board.
3. When a director or the Secretary (or Vice secretary, when applicable) shows concern about a proposal or, in the case of the directors, about the performance of the Company, and such concern is not resolved by the Board, on request of the person raising the concern, it will be recorded in the minutes.
4. Excepting those cases where other regimes of majority have been specifically decided, resolutions will be adopted by the absolute majority of those present. In the case of a tied vote, the vote of the Chairperson shall be final.
5. Pursuant to the provisions of the Articles of Association, the Board of Directors, as well as the various Committees, can organise meetings held by video conference, conference calls or by whatever other means possible for long-distance communications, provided that communications are made in real time and, therefore, in unity of action, and the identity of the individual participating or voting and the security of the electronic communications are properly guaranteed. Likewise, and in accordance with the Articles of Association, all communication and information procedures within the Board of Directors or its Committees will take place through whichever written medium, electronic means and remote communication being acceptable. In such a sense, each e-mail address provided to the Secretary of the Board of Directors shall be considered valid for communication.

#### **Article 17 bis. Periodic evaluation**

The Board of Directors in full shall evaluate once a year:

- (a) The quality and efficiency of the performance of the Board;

- (b) Starting from the report presented to it by the Appointments Committee, the performance of the duties of the Chairperson of the Board and the chief executive officer of the Company;
- (c) The performance of its Committees, from the reports presented to it by them.

## **CHAPTER VI APPOINTMENT AND SEVERANCE OF DIRECTORS**

### **Article 18. Appointment of Directors**

1. The Directors shall be appointed by the General Shareholders' Meeting or by the Board of Directors, in accordance with the provisions established in the Companies' Act.
2. The proposals for appointment of Directors, submitted by the Board of Directors for consideration by the General Shareholders' Meeting, and the appointment decisions that said body adopts by virtue of the powers of co-option that are legally attributed to it, shall be preceded by the corresponding proposal by the Appointments and Remunerations Committee, if they are independent directors, and, in any case, with a report prepared by the Board, in which the candidate's competence, experience and merits are assessed, and which shall be attached to the minutes of the General Shareholders' Meeting or the Board of Directors, as appropriate.

The proposal to appoint any non-independent director must be also preceded by the corresponding report issued by the Appointments and Remunerations Committee.

3. This article will also apply to any natural person who is designated to represent a legal entity appointed to the Board of Directors.

### **Article 19. Appointment of Non-Executive Directors**

1. The Board of Directors and the Appointments and Remunerations Committee, within the boundaries of their competences, shall endeavour that the election of candidates falls on persons of recognised solvency, competence and experience, paying particular attention to those people called on to cover posts as independent Directors as established in Article 6 of these Regulations.
2. The Board of Directors shall not propose or appoint, for the post of independent Director, any person that is related to the management of the Company or is linked by family, professional or commercial reasons to the Executive Directors or Executive Officers of the Company.

In particular, the following shall not be proposed or appointed as Independent Directors:

- (a) individuals who during the last year have had a working, commercial or contractual relationship, directly or indirectly, of significance, with the Company, its Executives, Proprietary Directors or companies in the group, whose shareholding interests are represented, banking institutions with a significant position in the financing of the Company or organisations that receive substantial subsidies from the Company;
- (b) Directors of another listed company that has Proprietary Directors in the Company;
- (c) those persons related to the Executive or Proprietary Directors or to members of the management of the Company; in view of the current Regulation, it shall be

understood that persons related to those Directors are those that are involved in some of the conditions foreseen in Article 231 of the Companies Act; and

- (d) persons with other relationships with the Company which in the opinion of the Appointments and Remunerations Committee could reduce its independence.

#### **Article 20. Re-election of Directors**

The proposals for re-election of Directors that the Board of Directors decides to submit to the General Shareholders' Meeting must follow the same formal working process established by Law and article 18 of these Regulations for the appointment of directors.

#### **Article 21. Term of Office**

1. The Directors will carry out their term of office for a period of time established in the Articles of Association and they can be re-elected for the position, once or more times, for periods of the same maximum duration.
2. The Directors appointed by co-option shall hold office until the date of the first General Meeting. If there is a vacant position, after the General Shareholders' Meeting has been called but not held, the Board of Directors may appoint a director until the next General Shareholders' Meeting is held.
3. When, previously informed by the Appointments and Remunerations Committee, the Board of Directors sees that the interests of the Company are put at risk, the Director who terminates his office or for any other reason ceases to continue in his position, cannot lend his services to any other entity that is in competition with the Company, during a period of time that the Board of Directors will establish and that in no case will be for more than two (2) years.

Notwithstanding the preceding, if the Board of Directors considers it appropriate, they can excuse the outgoing Director from this obligation.

#### **Article 22. Resignation of Directors**

1. The Directors will resign from office when the period of time for which they were appointed has elapsed and when decided by the General Meeting by virtue of the powers it is legally or statutorily granted.
2. The Board of Directors shall abstain from proposing to the General Meeting the resignation of non-executive Directors (proprietary or independent), before the completion of the statutory period for which they were elected, except when exceptional and justified causes exist and when previously informed by the Appointments and Remunerations Committee.
3. The Directors must place their position at the disposal of the Board of Directors and formalize the relevant resignation in the following cases:
  - (a) when they cease to occupy the executive posts which were associated with their appointment as Director, except by express ratification by the Board of Directors, following a non-binding report to the Appointments and Remunerations Committee;
  - (b) when circumstances arise that might harm the Company's name or reputation, related or not to their actions within the Company;

- (c) when they incur in any of the legally foreseen cases of incompatibility or prohibition;
  - (d) when any criminal charges are brought against them, prior report of the Appointments and Remuneration Committee or are the object of disciplinary action of a serious or very serious nature by supervisory authorities.
  - (e) when the Audit Committee gives them a serious warning for having infringed their obligations as Directors;
  - (f) when their Directorship on the Board could place the best interests of the Company at risk or when the reasons for their appointment disappear; and
  - (g) in the case of a Proprietary Director, when the shareholder whose interests he/she represents on the Board sells his/her participation in the Company, or when they are reduced to below a level that reasonably justified such an appointment.
4. When a director leaves his/her position, whether by resignation or resolution of the General Shareholders' Meeting before his/her tenure expires, he/she shall explain, in enough detail, the reasons behind this decision or, in the case of non-executive directors, his/her opinion of the reasons for the General Shareholders' Meeting resolution, in a letter that must be sent to the members of the Board via the Chairperson or the Secretary. Without prejudice to including it in the annual corporate governance report, insofar as it is relevant for investors, the Company will publish as soon as possible the dismissal with enough reference to the reasons or circumstances provided by the director.

#### **Article 23. Voting Objectivity and Secrecy**

1. In accordance with the provisions of Article 31 of these Regulations, the Directors affected by appointment, re-election or resignation proposals shall abstain from intervening in the deliberations and voting on them.
2. All votes by the Board of Directors which relate to appointments or re-election of Directors shall be secret, when so requested by the majority of the attendees.

### **CHAPTER VII DIRECTOR'S INFORMATION**

#### **Article 24. Powers of Information and Inspection**

1. The Director is invested with powers to be informed about every aspect of the Company, to examine books, registers, documents and records and any other corporate operations and to inspect all of its plants. The right to information extends to subsidiary companies, whether national or foreign.
2. With the aim of not disrupting the general management of the Company, the exercise of the power of information will be channelled through the Chairperson or Secretary of the Board of Directors, or those in substitution, who will attend to the requests of the Director by supplying the information directly, by offering them the appropriate contacts at the corresponding level of the organisation, or by bringing together the means so that they can practice *in situ* the desired examination and inspection proceedings.
3. The directors may take part in the orientation programmes set up by the Company to provide them rapidly with sufficient knowledge of the business, as well as of its corporate governance rules. Likewise, the Company will offer to its directors continuing programmes on these subjects when the circumstances so require.

### **Article 25. Expert Assistance**

1. In order to be aided in the performance of their duties, a non-executive Director may request that legal, accounting, financial or any other experts be hired at the expense of the Company.

The engagement must necessarily relate to specific problems of certain importance and complexity that arise in the performance of their duties.

2. The engagement decision must be communicated to the Chairperson of the Board of Directors which can be vetoed by the Board of Directors if:
  - (a) it is not necessary for the correct performance of the duties carried out by non-executive Directors;
  - (b) the cost is not reasonable in view of the importance of the problem and the assets and revenue of the Company; or
  - (c) the technical assistance that is required can be adequately provided by the experts and technicians within the Company.

## **CHAPTER VIII REMUNERATION OF THE BOARD**

### **Article 26. Remuneration of the Board**

1. Every three years the General Shareholders' Meeting must approve the remuneration policy of the directors which shall remain in force for the three (3) fiscal years following the year of its approval, and must be adjusted, where applicable, to the remuneration system laid down in the Articles of Association, and must:
  - (a) With respect to the remuneration of the directors in their condition as such, necessarily include the maximum amount of the annual remuneration to be paid to all said directors.
  - (b) With respect to the remuneration of the directors for performing their executive duties:
    - (i) The amount of the annual fix remuneration and its variation during the period to which the policy refers;
    - (ii) The different parameters to set the variable components; and
    - (iii) The main terms and conditions of their contracts including, in particular, duration, severance payments or compensations for the termination of the employment relationship, and exclusivity, post-contractual non-competition, and retention or loyalty agreements.
2. The Board of Directors shall decide the remuneration of each director in its condition as such and, to that end, shall take into consideration the duties and responsibilities of each director, their participation in the Board's committees and other objective circumstances the Board may consider relevant.

3. Likewise, the Board of Directors shall establish the remuneration of the directors for performing executive duties as well as the terms and conditions of their contracts signed with the company, in accordance with the Law and the director remuneration policy approved by the General Shareholders' Meeting.
4. Variable remuneration policies include the required technical cautions to ensure that such remunerations are in line with the professional performance of their beneficiaries and do not simply derive from the general evolution of the market or from the Company's industrial sector or from other similar circumstances.
5. The Board of Directors shall annually publish a report on the remuneration of the directors, which shall include complete, clear and coherent information concerning the remuneration policy of directors applicable to the current fiscal year, in addition to a global summary on the applied remuneration policy during the ended fiscal year, and details of the individual remunerations accrued for all concepts regarding each director in said exercise, in accordance with any legal requirements and criteria established by the regulating bodies. The annual remunerations report of directors must be voted at the General Shareholders' meeting with a consultative vote, and as a separate item on the agenda.

#### **Article 27. Remuneration of Non-Executive Directors**

The Board of Directors, with the advice of the Appointments and Remunerations Committee, shall adopt all measures within its reach to guarantee that the remuneration of non-executive Directors is in line with the following directives:

- (a) the non-executive Director should be remunerated in relation to his actual dedication, qualification and responsibility;
- (b) the non-executive Director should be excluded from remuneration systems based on receiving shares in the Company or companies of the Group, stock options or financial instruments related to the value of the share, in variable remunerations linked to the Company's profits or welfare systems;

This directive, however, shall not affect the receiving of shares in the Company, on the condition that the directors keep them until their resignation as director;

- (c) The amount of the non-executive director's remuneration should be calculated in order to incentivate dedication, but not to become an obstacle to independence.

### **CHAPTER IX DUTIES OF THE DIRECTOR**

#### **Article 28. General Duties of the Director**

1. In accordance with the provisions established in Article 5, the function of the Director is to direct and control the management of the Company in order to maximise the value of the company.
2. In carrying out his duties, the Director shall work with the diligence of an orderly businessperson and a loyal representative, in particular being obliged to:
  - (a) be informed and adequately prepare for Board meetings and the representative bodies to which they belong;

- (b) attend meetings of the bodies that they form part of and actively participate in the deliberations so that their criteria may effectively contribute to the decision-making;
  - (c) In the event that, for justified reasons, they cannot attend the meeting to which they have been convened, they must instruct the Director who must represent them;
  - (d) carry out any specific duty entrusted to them by the Board of Directors and which reasonably falls within their commitments;
  - (e) inform the Appointments and Remunerations Committee about any circumstance that affect them, related or not to their actions within the Company, that might harm the Company's name and reputation and, in particular, report any criminal case brought against them and the progress of any subsequent trial. In this case, the Board shall examine the case as soon as possible and, taking into account any specific circumstance, shall decide, prior report by the Appointments and Remuneration Committee whether or not adopt any measures such as opening an internal investigation, requesting the resignation of the director or proposing his or her dismissal;
  - (f) inform the Appointments and Remunerations Committee about their remaining professional obligations, in case they interfere with the required dedication;
  - (g) ensure the investigation of any irregularity in the management of the Company which may have come to their notice and monitor any risk situation;
  - (h) clearly express their opposition when they consider that a proposed decision submitted to the Board could be contrary to company interests; the same again applies in particular to the independent and other directors who are not affected by the potential conflict of interest, when it is a matter of decisions which may be detrimental to the shareholders not represented on the Board;
  - (i) when considered necessary for the interests of the Company, they must request the calling of an extraordinary meeting of the Board, as well as the inclusion of the points considered convenient on the agenda of the first meeting to be held; and
  - (j) monitor the compliance of the other Directors as well as the directors of the companies in the Group, with the rules of conduct established in The "Code of Ethics for Grifols Group".
3. The Company shall set rules on the number of board meetings that its directors can form part of, in order to ensure their adequate dedication to the position.

#### **Article 29. Directors' Duty of Confidentiality**

1. The Director shall keep secret all the deliberations of the Board of Directors and the bodies to which he belongs and, in all cases, will abstain from revealing information, data, reports and precedents to which he has had access during the course of his term of office.
2. The obligation to confidentiality will continue even when the term of office has ceased, unless required or permitted by Law.

#### **Article 30. Obligation to non-Competition**

1. The Director shall not lend professional services to companies that are in competition with the Company. With the exception of the positions they can occupy in companies

within the group and those which the Board, following a report from the Appointments and Remunerations Committee, understands that will not place the Company's interests at risk.

2. Before accepting any other Executive post in any other Company or entity, which could represent a conflict of interest or affect his dedication, the Director must consult the Appointments and Remunerations Committee.

### **Article 31. Conflicts of Interest**

1. The Director shall abstain from attending or intervening in deliberations that affect matters in which he or any person related to him are involved, directly or indirectly.
2. The Director cannot carry out professional or commercial transactions with the Company, directly or indirectly, unless he previously informs the Board about the conflict of interest, and the Board, following a report from the Appointments and Remunerations Committee approves the transaction.

### **Article 32. Use of Company Assets**

1. The Director may not make use of Company assets, nor use his position as director of the company to carry out transactions on his own behalf or for anyone related to him.

If the Board authorises it, the above prohibition may be exempted in particular cases, provided that the independence between the directors granting it is guaranteed with respect to the director receiving it, as well as that it ensures that the authorised transaction shall not have a negative impact on the Company's assets or its execution in market conditions and the transparency of the process.

2. Exceptionally, the Director can be excused from the obligation to satisfy the consideration but, in that case, the equity benefits shall be considered indirect remuneration and should be authorized by the Board, following a report from the Appointments and Remunerations Committee.

If the benefits are received as a shareholder, it shall only be precedent if the principle of parity in the treatment of shareholders is observed.

### **Article 33. Non-public Information**

1. A Director may only use non-public Company information for private purposes if the following conditions are satisfied:
  - (a) that such information is not used in connection with the acquisition or sale of Company shares or any other stock that such information may affect;
  - (b) that its use does not cause any prejudice to the Company; and
  - (c) that the Company does not hold any exclusivity right or a legal position of similar significance over the information they wish to use.
2. The aforementioned shall be understood without prejudice to the rules which in each case are in force in the Internal Regulation of Conduct on the Stock Exchanges where the Company is listed.



**Article 34. Business Opportunities**

1. The Director shall not take advantage, directly or indirectly, for their own benefit or for that of a third party, of a business opportunity from the Company, without it previously being offered to the Company, which decides not to pursue it, without intervention of the Director and that the specific business opportunity is authorised by the Board following a report from the Appointments and Remunerations Committee. The Board may grant this authorisation provided that the independence between the directors granting it is guaranteed with respect to the director receiving it, as well as that it ensures that the authorised transaction shall not have a negative impact on the Company's assets or its execution in market conditions and the transparency of the process.
2. To the effect of the previous paragraph, a business opportunity is understood as any possibility of entering into an investment or business transaction, that has arisen or has been found in connection with the performance of the duties of the post by the Director, or through the use of Company means or information, or under such circumstances that are reasonable to think that the offer from the third party is in fact addressed to the Company.

**Article 35. Indirect Transactions**

It shall be understood that the Director infringes his loyalty to the Company if, with previous knowledge, he allows or does not reveal the existence of transactions carried out by persons related to him, or by companies in which he holds an executive post or has a significant participation, and which have not been submitted to the above conditions and rules of control.

**Article 36. Duty of Information of the Director**

1. The Director shall inform the Company about the shares he holds in the Company, directly or through Companies in which he has a significant participation. Likewise, he must inform about any other shares held, directly or indirectly, by persons related to him, all according to the terms set out in the Stock Exchange Internal Regulation of Conduct.
2. Likewise, the Director is obliged to communicate to the Board of Directors any conflict of interest, direct or indirect, that the director or any person related to him/her may have with the Company. This information shall be included in the annual report in accordance with the applicable regulations.

**Article 37. Transactions with Significant Shareholders**

1. The Board of Directors formally reserves all knowledge and authorisation of any Company transactions with a significant shareholder.
2. Under no circumstances shall it authorise the transaction if a report has not been previously issued by the Audit Committee valuing the transaction from the point of view of equal treatment of shareholders and the market conditions.
3. In relation to ordinary transactions, a general authorisation for the kind of transaction and the execution conditions will be sufficient.

**Article 38. Principle of Transparency**

The Board of Directors shall reflect in its annual report on corporate governance a summary of the transactions entered into by the Company with its Directors and significant shareholders.

## CHAPTER X BOARD RELATIONS

### Article 39. Relations with Shareholders

1. The Board of Directors shall provide the appropriate channels by which proposals may be formulated by the shareholders in relation to the management of the Company, as well as to satisfy the right to information by the aforementioned. In this sense, the Company will provide a corporate web page through which it may deal with the shareholders exercising their voting rights and circulate relevant information in accordance with the applicable regulations.
2. The Board, through some of its Directors and with the collaboration of the Executive Officers that are esteemed appropriate, may organise informative meetings on the progress of the Company and of the Group, for the shareholders who reside in the most relevant financial cities in Spain and in other countries.
3. The public application for representation is governed by the conditions established in Article 186 of the Companies Act. In the event that the Company is quoted on an official secondary market, it shall comply with the provisions set out in article 526 of the Companies Act and respect the limitations established in Article 114 of the Stock Exchange Act in relation to the exercise of the right to vote by the representative.

In all cases, the documentation which contains the power of representation shall include the agenda or it will be attached, as well as the request for instructions for exercising the right to vote and an indication of the way in which the representative shall vote in case instructions are not available.

4. The Board of Directors shall stimulate the informed participation of shareholders in the General Meetings and shall adopt whatever methods that are appropriate to facilitate that the General Shareholders' Meeting effectively exercises its functions and that they conform to the Law and the Articles of Association.

In particular, the Board of Directors, shall adopt the following measures:

- (a) Every effort will be made to provide to the shareholders, before the General Meeting, all the information that is legally required and all information which could be of interest or reasonably supplied;
- (b) shall attend to, with the upmost diligence, the requests for information made by the shareholders prior to the Meeting; and
- (c) shall attend to, with equal diligence, the questions made by the shareholders during the Meeting.

### Article 40. Relations with Institutional Shareholders

1. The Board of Directors shall likewise establish adequate mechanisms for regularly exchanging information with institutional investors that form part of the Company's shareholders.
2. Under no circumstances shall the relations between the Board of Directors and the institutional shareholders lead to the delivery of any information that may provide them with a privileged or an advantageous situation over the other shareholders.

#### **Article 41. Relations with the Markets**

1. The Board of Directors shall ensure the punctual compliance of its obligations to inform the public about:
  - (a) inside information, and any other relevant information, capable of sensitively influencing the forming of stock market prices;
  - (b) relevant changes in the ownership structure of the Company;
  - (c) substantial amendments to the rules of governance of the Company; and
  - (d) treasury stock policies that the Company intends to carry out, with the corresponding authorizations obtained from the General Meeting.
2. The Board of Directors shall adopt the right measures to ensure that the periodic financial information and any other information which good sense advises, be made available to the markets and be prepared according to the same principles, criteria and professional practices with which the annual accounts are prepared and that it is as reliable as the latter. To achieve this, the information will be reviewed by the Audit Committee.
3. The Board of Directors shall publish on an annual basis, a report on corporate governance, in which it shall detail the structure of the governing system of the Company and its operation in accordance with the legal requirements and criteria established by regulatory bodies.

#### **Article 42. Relations with Auditors**

1. The Board's relations with the Company's external auditors will be channelled through the Audit Committee.
2. The Board of Directors shall abstain from proposing to the General Meeting the hiring of those audit firms whose estimated fees, for all concepts, are higher than ten percent (10%) of the total revenue during the last financial year.
3. The Board of Directors shall publish on an annual basis, the global fees the Company has paid to the audit company for services different to auditing.
4. The Board of Directors will endeavour to formulate the final accounts in such a way that no reservations or exceptions are raised by the auditor and, in the cases when there are, the contents and scope of the discrepancies shall be explained to the shareholders not only by the Chairperson of the Audit Committee but also by the external auditors.

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THIS DOCUMENT CONSTITUTES A TRANSLATION INTO ENGLISH OF THE OFFICIAL SPANISH VERSION OF THE REGULATIONS OF THE BOARD OF DIRECTORS. IN CASE OF DISCREPANCIES, THE OFFICIAL SPANISH VERSION SHALL PREVAIL.