

**REGULATIONS OF THE BOARD OF DIRECTORS “TELEFÓNICA,  
S.A.”**

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## PRELIMINARY TITLE

### Article 1. Purpose.

1. The purpose of these Regulations is to determine the principles of action of the Board of Directors of Telefónica, S.A. (hereinafter, the “Company”) and the Committees thereof, to govern the organization and operation thereof, and to establish rules of conduct for its members, in order to achieve the greatest possible level of efficiency and to optimize the management thereof.

2. The rules of conduct established in these Regulations for the Directors shall apply to the senior executive officers of the Company, to the extent that they are consistent with the specific nature thereof.

### Article 2. Interpretation.

These Regulations shall be interpreted in accordance with law and the By-Laws, primarily taking into account the spirit and purpose hereof. The Board of Directors shall have the power to resolve any questions of interpretation that may arise in the application hereof.

### Article 3. Amendment.

1. These Regulations may only be amended by the Board of Directors at the proposal of the Chairman of the Board of Directors, of five Directors, or of the Nominating, Compensation and Corporate Governance Committee.

2. Proposals for amendment must be accompanied by a substantiating report and must be reported on by the Nominating, Compensation and Corporate Governance Committee. This report shall not be required when the amendment is proposed by the Nominating, Compensation and Corporate Governance Committee.

3. The text of the proposal, the substantiating report from the authors thereof and, where appropriate, the Report of the Nominating, Compensation and Corporate Governance Committee must be attached to the notice of the meeting of the Board of Directors wherein it is to be discussed, and shall be specifically set forth in the Agenda for the meeting.

### Article 4. Dissemination.

1. The Directors and senior executive officers have the duty to know, comply with and enforce these Regulations. To that end, the Secretary of the Board of Directors shall provide all of them with a copy of these Regulations.

2. These Regulations, as well as any amendments hereof, shall be reported to the General Shareholders’ Meeting, communicated to the National Securities Market Commission, registered with the Commercial Registry in accordance with law, and made available on the website of the Company and at the registered office thereof, thus ensuring widespread dissemination among shareholders and the investing public in general.

## TITLE I.

### GENERAL DUTIES AND PRINCIPLES OF ACTION OF THE BOARD OF DIRECTORS

#### Article 5. General duties of the Board of Directors.

1. As provided by law and the By-Laws, the Board of Directors is the highest management and representative body of the Company; it is therefore authorized to carry out, within the scope of the corporate purpose established in the By-Laws, any acts or legal transactions of administration and disposition of property, upon any legal title, except for those acts or transactions which are reserved by law or the By-Laws exclusively to the shareholders acting at a General Shareholders' Meeting.

2. Notwithstanding the foregoing, the Board of Directors is basically configured as a supervising and controlling body, with the day-to-day management of the Company's affairs being entrusted to the management decision-making bodies and the management team.

3. The powers reserved by law or the By-Laws exclusively to the Board of Directors, or any other powers required for the responsible exercise of its basic supervisory and controlling duties, or those delegated by the shareholders acting at a General Shareholders' Meeting, may not be delegated unless the sub-delegation has been expressly authorized.

4. In any event, the Board of Directors may not delegate the following powers:

a) Supervision of the effective operation of the Committees that have been created and the actions of the delegated decision-making bodies and of the Executive Officers that it has appointed.

b) Determination of the general policies and strategies of the Company.

c) Authorization or waiver of the obligations arising from the duty of loyalty pursuant to the provisions of these Regulations.

d) Its own organization and operation.

e) Formulation of the Annual Financial Statements and submission thereof to the shareholders at a General Shareholders' Meeting.

f) Formulation of any other kind of report required by law to be made by a board of directors, if the transaction referred to in the report cannot be delegated.

g) Appointment and removal of the Chief Executive Officers of the Company, and establishment of the terms of their contracts.

h) Appointment and removal of Executive Officers reporting directly to the Board or to one of its members, and establishment of the basic terms of their contracts, including the compensation thereof.

i) Decisions regarding the compensation of Directors within the framework of the By-Laws and any compensation policy approved by the shareholders.

j) Call to the General Shareholders' Meeting and preparation of the agenda and proposed resolutions.

k) Policy regarding treasury shares or interests.

l) Powers that the shareholders have delegated to the Board of Directors, unless they have expressly authorized the sub-delegation thereof.

The Board of Directors may also not delegate the following powers:

a) Approval of the strategic or business plan, management goals and annual budget, investment and financing policy, corporate social responsibility policy or dividend policy.

b) Determination of the policy for the control and management of risks, including tax risks, and supervision of the internal information and control policies.

c) Determination of the corporate governance policy of the Company and of the Group; organization and operation thereof, and particularly approval and amendment of its own Regulations.

d) Approval of the financial information that the Company must regularly publish due to its status as a listed company.

e) Definition of the structure of its Group of companies.

f) Approval of investments or transactions of any kind that, due to the high amount or special nature thereof, are of a strategic nature or particular tax risk, unless approval thereof is reserved to the shareholders at a General Shareholders' Meeting.

g) Approval of the creation or acquisition of interests in special-purpose entities or entities domiciled in countries or territories considered to be tax havens, as well as other transactions or operations of a similar nature that, due to the complexity thereof, might undermine the transparency of the Company and its Group.

h) Approval, after a report from the Audit and Control Committee, of the transactions that the Company or companies of its Group enter into with Directors or with shareholders that individually or collectively with others hold a significant interest.

5. Under urgent and duly justified circumstances, decisions regarding the above matters may be made by the delegated bodies or persons, but must be ratified at the first meeting of the Board of Directors held after the decision is made.

#### **Article 6. Duties of the Board of Directors with respect to Group companies.**

With respect to the companies that make up the Group, the Board of Directors, within legal limits, shall establish the basis for appropriate and efficient coordination between the Company and the other companies belonging to such Group, respecting in all cases the decision-making autonomy of their board- and management-level decision-making bodies, in keeping with the corporate interests of the Company itself and of each of such companies.

For such purposes, and within the limits stated above, the Board of Directors shall implement the instruments needed to establish appropriate relationships of coordination based on mutual interest, and therefore, as regards their respective corporate interests.

**Article 7. Principles of action of the Board of Directors.**

1. The Board of Directors shall perform its duties with unity of purpose and independent judgment, shall equally treat all shareholders in the same position, and shall carry out its duties in accordance with the corporate interest, meaning the interests of the Company, and, in that regard, shall act to ensure the achievement of a profitable and sustainable business over the long term to foster the continuity and to maximize the economic value thereof.

2. In seeking the corporate interest, apart from observance of laws and regulations and conduct based on good faith, ethics and observance of commonly accepted customs and good practices, the Board of Directors shall endeavor to reconcile the corporate interest with any legitimate interests of its employees, its suppliers, its customers and the other stakeholders that may be affected, as well as the impact of the Company's activities on the community and on the environment.

3. The Board of Directors shall approve a policy of full disclosure and transparency with respect to the markets, ensuring the correct setting of the Company's share price.

**TITLE II. COMPOSITION OF THE BOARD OF DIRECTORS****Article 8. Quantitative composition.**

1. The Board of Directors shall consist of the number of Directors determined by the shareholders acting at a General Shareholders' Meeting, within the limits set by the By-Laws.

2. The Board of Directors shall propose to the shareholders acting at the General Shareholders' Meeting the number of Directors that, according to the circumstances prevailing at the Company at any time, is most appropriate to ensure due representation and the effective operation thereof.

**Article 9. Qualitative composition.**

1. The Board of Directors, exercising the right to fill vacancies by interim appointment and to propose appointments to the shareholders at the General Shareholders' Meeting, shall ensure that, in the composition of the Board of Directors, external or non-executive Directors represent an ample majority over executive Directors.

In addition, the Board of Directors shall ensure that the total number of independent Directors represents at least one-third of the total number of members of the Board of Directors.

2. For the purposes of these Regulations, the following shall be deemed:

- Executive Directors: those who perform management duties within the Company or its Group, whatever their legal relationship therewith.
- External Directors: those who are not executive Directors, such category including proprietary Directors, independent Directors and those Directors who cannot be considered either proprietary or independent Directors.

- Proprietary Directors (*Consejeros dominicales*): (i) those who possess shareholdings greater than or equal to what is legally deemed to be significant or who have been so designated in their capacity as shareholders, even if their shareholdings do not reach such amount; and (ii) those who represent and/or have been appointed upon the proposal of shareholders listed in (i) above.
- Independent Directors: those who, having been appointed in view of their personal and professional status, can carry out their duties without being conditioned by relationships with the Company or its Group or the significant shareholders or officers thereof. Those who are affected by any of the cases in which the law prevents them from being considered as such may not be classified as independent Directors.

3. The nature of each Director shall be explained by the Board of Directors to the shareholders at the General Shareholders' Meeting at which the appointment thereof must be made or ratified. Furthermore, such nature shall be reviewed annually by the Board of Directors after verification by the Nominating, Compensation and Corporate Governance Committee, and reported in the annual corporate governance report.

4. The provisions of this article are without prejudice to the shareholders' legally recognized right to proportional representation, and the powers and duties of the shareholders acting at the General Shareholders' Meeting.

### **TITLE III. APPOINTMENT AND WITHDRAWAL OF DIRECTORS**

#### **Article 10. Selection, appointment, re-election and ratification of Directors.**

1. Directors shall be appointed, re-elected or ratified by the shareholders acting at a General Shareholders' Meeting, or, on an interim basis, by the Board of Directors, pursuant to the provisions of law and the By-Laws.

2. The proposals for the appointment, re-election and ratification of Directors submitted by the Board of Directors for consideration at the General Shareholders' Meeting, and the resolutions appointing Directors adopted by the Board of Directors itself pursuant to the powers attributed by law thereto, must be preceded by a corresponding report of the Nominating, Compensation and Corporate Governance Committee and, in the case of independent Directors, by a corresponding proposal. A proposal regarding the individual representative of corporate Directors must also be the subject of a report of the Nominating, Compensation and Corporate Governance Committee.

In the case of re-election or ratification, such report or proposal of the Nominating, Compensation and Corporate Governance Committee shall contain an evaluation of the work and actual dedication to the position for the latest period of time during which the proposed Director held such position.

3. The Board of Directors and the Nominating, Compensation and Corporate Governance Committee shall ensure, within the scope of their respective powers, that the candidates chosen are persons of recognized caliber, qualifications and experience, who are



willing to devote a sufficient portion of their time to the Company, and shall take extreme care in the selection of the persons to be appointed as independent Directors.

4. The Board of Directors must endeavor to ensure that the procedures for selecting the members thereof favors diversity of gender, experience and knowledge, and are free from any implicit bias entailing any kind of discrimination and, in particular, that they favor the selection of female Directors.

In this regard, the Board of Directors shall approve a Director selection policy ensuring that proposals for appointment or re-election are based on a prior analysis of the needs of the Board of Directors, favor a diversity of knowledge, experience and gender, and are free from any implicit bias entailing any kind of discrimination.

The results of the prior analysis of the needs of the Board of Directors shall be reflected in the report of the Nominating, Compensation and Corporate Governance Committee to be published upon occasion of the call to the General Shareholders' Meeting to which the ratification, appointment or re-election of each Director shall be submitted.

The Nominating, Compensation and Corporate Governance Committee shall verify compliance with Director selection policy on an annual basis and shall report thereon in the Annual Corporate Governance Report.

#### **Article 11. Term of office.**

1. Directors shall hold office for a maximum term of four years. They may be re-elected one or more times to equal maximum terms of office.

2. Directors designated to fill vacancies by interim appointment shall hold office until the date of the next General Shareholders' Meeting.

3. Directors whose term of office has ended or who stop serving as such for any other reason may not serve at any other entity having a corporate purpose that is similar or analogous to that of the Company or to that of any of the companies making up the Group, or that competes with the Company, for a period of two years.

The Board of Directors may, if it sees fit, release outgoing Directors from such obligation or shorten the period thereof.

#### **Article 12. Withdrawal of Directors.**

1. Directors shall cease to hold office when the term for which they were appointed expires, or when so resolved by the shareholders at the General Shareholders' Meeting in the exercise of the powers granted to them by law.

2. Directors must tender their resignation to the Board of Directors and formalize such resignation in the following cases:

- a) When they cease to hold the executive positions to which their appointment as Directors is linked, or when the reasons for which they were appointed no longer exist.

- b) When they are affected by any of the cases of incompatibility or prohibition established by law.
- c) When they are severely reprimanded by the Nominating, Compensation and Corporate Governance Committee for having failed to fulfill any of their obligations as Directors.
- d) When their remaining on the Board of Directors might affect the Company's credit or reputation in the market or otherwise jeopardizes its interests.

3. The Board of Directors shall not propose the removal of any independent Director prior to the end of the By-Law-mandated period for which they have been appointed, unless there are due grounds therefor acknowledged by the Board of Directors after a report from the Nominating, Compensation and Corporate Governance Committee. Specifically, due grounds shall be deemed to exist if the Director holds new positions or acquires new duties that prevent the Director from dedicating the time necessary to perform the duties of the position of Director or fails to perform the duties inherent to the position thereof.

The removal of independent Directors may also be proposed as a result of public tender offers, mergers or other similar corporate transactions that entail a significant change in the Company's capital structure.

4. If a Director withdraws from office prior to the end of the term thereof, the Director must explain the reasons in a letter to be sent to all members of the Board of Directors.

## **TITLE IV. OPERATION OF THE BOARD OF DIRECTORS**

### **CHAPTER I.- DISTRIBUTION OF POSITIONS**

#### **Article 13. Chairman of the Board of Directors.**

1. The Chairman of the Board of Directors shall be the Company's chief executive and, accordingly, his appointment or re-appointment, if so approved, shall entail the delegation of all the powers and duties of the Board of Directors that may legally be delegated. He shall be in charge of the effective management of the Company's business, always in accordance with the decisions and criteria established by the shareholders at the General Shareholders' Meeting and by the Board of Directors.

2. The Chairman of the Board of Directors shall chair the General Shareholders' Meeting and the meetings of other all shareholder- and board-level decision-making bodies of the Company and shall carry out the resolutions of the Board of Directors itself and of the Executive Commission, both of which the Chairman permanently represents with the broadest powers, and may, in urgent cases, take such actions as he deems advisable for the interests of the Company.

3. The Chairman of the Board of Directors shall direct the debate and deliberations of the Board of Directors, taking charge of the management thereof and the effectiveness of its operation.

4. Furthermore, pursuant to these Regulations, the Chairman of the Board of Directors, together with the Chairman of the Nominating, Compensation and Corporate Governance

Committee, shall be responsible for organizing and coordinating a periodic assessment of the Board of Directors. If the circumstances so advise, the Chairman must approve and revise the update training programs for Directors.

5. Without prejudice to the foregoing, whenever the Board of Directors resolves to appoint a new person to hold office as Chairman of the Board of Directors, it must determine the powers to be delegated thereto according to the characteristics of the person and the circumstances surrounding the appointment thereof.

6. The Board of Directors may resolve at any time to remove the Chairman of the Board of Directors by means of a resolution adopted by an absolute majority of the votes of the members attending the meeting in person or by proxy.

#### **Article 14. Vice Chairman of the Board of Directors.**

1. After a report from the Nominating, Compensation and Corporate Governance Committee, the Board of Directors shall elect from among its Directors one or more Vice Chairmen – executive or otherwise – to stand in for the Chairman of the Board of Directors by delegation, due to his absence or illness or, in general, in all cases, duties or powers that may be deemed proper by the Board of Directors, or by the Chairman of the Board of Directors himself.

2. The Chairman of the Board of Directors shall be replaced by one of the Vice Chairmen with executive duties in the Company and, failing that, by the Vice Chairman with the longest tenure in such position, and if the same tenure, the elder thereof.

#### **Article 15. Secretary of the Board of Directors.**

1. The Board of Directors, upon the proposal of the Chairman thereof, and after a report from the Nominating, Compensation and Corporate Governance Committee, shall appoint a Secretary of the Board of Directors, and shall follow the same procedure for approving the removal thereof.

The Secretary of the Board of Directors need not be a Director.

2. The Secretary of the Board of Directors shall assist the Chairman of the Board of Directors in the performance of his duties and shall ensure proper operation of the Board of Directors, and shall especially provide to Directors advice and information that may be required, maintain custody of the corporate documents, and duly record the proceedings of meetings of the Board of Directors in the minute books and certify the resolutions thereof.

3. The Secretary of the Board of Directors shall attend in all cases to the formal and substantive legality of the actions of the Board of Directors and to the conformance thereof to the By-Laws and the Regulations for the General Shareholders' Meeting and of the Board of Directors, and shall maintain in consideration the corporate governance recommendations assumed by the Company in effect from time to time.

4. The Secretary of the Board of Directors shall also be the General Secretary of the Company with the powers and duties that the By-Laws attribute thereto.

**Article 16. Deputy Secretary of the Board of Directors.**

1. The Board of Directors, upon the proposal of the Chairman thereof, and after a report from the Nominating, Compensation and Corporate Governance Committee, may appoint a Deputy Secretary of the Board of Directors to assist the Secretary of the Board of Directors or replace him in the performance of his duties in the event of absence or inability to act, and must follow the same procedure for approving the removal thereof.

The Deputy Secretary of the Board of Directors need not be a Director.

2. Unless otherwise decided by the Board of Directors, the Deputy Secretary of the Board of Directors may attend its meetings to assist the Secretary of the Board of Directors in drafting the minutes of the meeting.

**Article 17. Lead Director.**

The Board of Directors, upon a proposal of the Nominating, Compensation and Corporate Governance Committee and with the abstention of the executive Directors, shall appoint one of the independent Directors as a “Lead Director” (“*Consejero Independiente Coordinador*”), who shall perform the following duties and tasks:

- a) Coordinate the work of external Directors appointed by the Company, in defense of the interests of all shareholders of the Company, and sound the concerns of such Directors, and gather them together when the Lead Director so deems appropriate.
- b) Request the Chairman of the Board of Directors to call a meeting of the Board of Directors when appropriate in accordance with good governance rules.
- c) Request the inclusion of certain items within the Agenda for meetings of the Board of Directors that have already been called.
- d) Direct the evaluation by the Board of Directors of its Chairman.
- e) Preside over the Board of Directors in the absence of the Chairman and of the Vice Chairmen.
- f) Maintain contacts with investors and shareholders to be informed of their viewpoints in order to form an opinion regarding their concerns, and particularly regarding the corporate governance of the Company.
- g) Coordinate the succession plan for the Chairman.

## CHAPTER II- RULES OF OPERATION

### Article 18. Meetings of the Board of Directors.

1. The power to call meetings of the Board of Directors and to draft the Agenda for its meetings, as appropriate, lies with the Chairman of the Board of Directors, who nevertheless must call a meeting at the request of three Directors who specify the matters to be dealt with.

The Board of Directors may also be called to meeting by at least one third of its members with a specification of the Agenda if, after a request submitted to the Chairman of the Board of Directors, he has not called a meeting within a period of one month, without justification.

The Board of Directors shall normally meet once a month and, at the initiative of the Chairman of the Board of Directors, it shall meet as often as he deems fit for the proper operation of the Company.

The Board of Directors shall set the calendar of ordinary meetings before the beginning of each fiscal year. The calendar may be amended by resolution of the Board of Directors itself, or by decision of the Chairman of the Board of Directors, in which case the Directors shall be made aware of the amendment as soon as practicable.

2. Formal notice of ordinary meetings shall be given by letter, fax, telegram or e-mail, and shall be signed by the Chairman of the Board of Directors, or by the Secretary or Deputy Secretary of the Board of Directors at the direction of the Chairman of the Board of Directors. Such notice shall be given not less than three days prior to the date set for the meeting.

The notice shall include preliminary information on the expected Agenda for the meeting, and shall be accompanied by the relevant written information that is available. In any event, the Chairman of the Board of Directors shall always have the power to submit such matters as he deems appropriate to the Board of Directors, regardless of whether or not they are included in the Agenda for the meeting.

In the Agenda shall clearly state those matters with respect to which the Board of Directors must make a decision or adopt a resolution.

3. When circumstances so require, the Chairman of the Board of Directors may, exceptionally, call a Board of Directors' meeting by telephone, fax or e-mail without complying with the prior notice period or other requirements set forth in the previous paragraph.

### Article 19. Proceedings at meetings.

1. A valid quorum at meetings of the Board of Directors shall exist with the presence, in person or by proxy, of more than one-half of its members in office. The Directors must attend meetings of the Board of Directors in person, and when unable to do so in exceptional cases, they shall endeavor to ensure that the proxy they grant to another member of the Board of Directors includes, to the extent practicable, appropriate instructions.

Non-executive Directors may only grant their proxy to other non-executive Directors.

Such proxies may be granted by letter or by any other means that, in the opinion of the Chairman of the Board of Directors, ensures the certainty and validity of the proxy granted.

2. The Chairman of the Board of Directors shall organize the debates, seeking and encouraging the active participation of all Directors in the discussions, and safeguarding their freedom to take positions. The Chairman, with the assistance of the Secretary, shall ensure that the Directors are provided in advance with information sufficient to deliberate on the items on the Agenda. It shall be ensured that sufficient time is dedicated to a discussion of strategic issues and to stimulate debate during the meetings, safeguarding the Directors' freedom to take positions.

3. At the proposal of the Chairman of the Board of Directors, the senior executive officers of the Company shall attend the meetings of the Board of Directors whenever their participation is required or appropriate, in order to report on matters within their purview.

4. Resolutions shall in all cases be passed by an absolute majority of votes among Directors attending the meeting in person or by proxy, except in those cases in which the law requires the favorable vote of a larger number of Directors for certain resolutions.

5. The Board of Directors may hold meetings in several rooms simultaneously, provided that audio-visual or telephonic means are used to ensure real-time interactivity or inter-communication among the members, and thus unified action. The Secretary of the Board of Directors shall attest to the identity of the attendees.

6. Exceptionally, when so required by the urgent nature of the matter, the Chairman of the Board of Directors may propose that resolutions be passed in writing without a meeting (by fax, mail, e-mail, etc.), as long as no Director objects to the use of such procedure.

### **CHAPTER III.- COMMITTEES OF THE BOARD OF DIRECTORS.**

#### **Article 20. General provisions.**

##### **a) Executive Commission.**

Without prejudice to the delegation of powers to the Chairman of the Board of Directors or, if applicable, to the Chief Operating Officer or the Vice Chairman of the Board of Directors, the Board of Directors shall appoint an Executive Commission with general decision-making powers, and therefore, with an express delegation of all powers of the Board of Directors other than those that may not be delegated under the law or the By-Laws.

##### **b) Other Committees.**

1. The Board of Directors may also establish one or more Committees entrusted with the examination and permanent monitoring of some particularly relevant area for the proper governance of the Company, or for the specific review of some aspect or issue whose significance or degree of importance makes this appropriate.

These Committees shall not have the status of corporate decision-making bodies (*órganos sociales*), but shall be established as instruments at the service of the Board of Directors, to which they shall report regarding the conclusions reached on the issues or matters whose specific review has been entrusted to them.

2. The Board of Directors shall determine the number of members of each Committee and shall appoint the Directors who are to be the members thereof, at the proposal of the Chairman of the Board of Directors.

In order to provide for an appropriate and fluid relationship with the Company, each Committee may be assigned a senior executive officer, who shall attend the various meetings held by the Committee, with the right to be heard but not to vote thereat, and who may be appointed to act as its secretary.

In all cases, such senior executive officer must leave the meeting whenever, owing to the nature of the matters to be dealt with, the Committee deems it appropriate.

3. The Committees shall regulate their own operation, shall appoint a Chairman and a Secretary from among their members – who need not be a member of the respective Committee – and shall meet when called by their respective Chairman. Each Committee shall prepare an action plan every year, on which it shall report to the Board of Directors.

The schedule for ordinary meetings of the Committees shall be set for each of them prior to the commencement of each fiscal year. The schedule may be changed by resolution of the Committee itself or by decision of the Chairman thereof, in which case the change must be communicated to the members of the Committee as soon as possible.

Except as otherwise provided in these Regulations, a quorum for each Committee shall be validly established with the attendance, in person or by proxy, of at least one-half of the members thereof, and each Committee shall adopt resolutions by a majority of those present at the meeting in person or by proxy. In the event of a tie, the Chairman of the respective Committee shall cast the deciding vote.

The minutes of each meeting held by the Committees shall be drawn up by their respective Secretary, and shall be sent to the Secretary of the Board of Directors for filing and safekeeping. The minutes of the Committees of the Board of Directors shall be available in all cases to the members of the Board of Directors for examination.

Matters dealt with by the Committees shall be reported to the Board of Directors in order for it to be informed of such matters in the exercise of its powers.

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

4. The Company's senior executive officers shall attend Committee meetings when, in the opinion of their respective Chairman, their participation is necessary or appropriate in order to report on matters within their purview.

5. Without prejudice to the power of the Board of Directors to create other Committees, with such powers as it deems fit to grant them, the following Committees shall be created in any event: an Audit and Control Committee, a Nominating, Compensation and Corporate Governance Committee, a Regulation Committee, and a Service Quality and Customer Service Committee.

**Article 21. Executive Commission.****a) Composition.**

The Executive Commission shall consist of the Chairman of the Board of Directors, once appointed as a member of the Executive Commission, and not less than three nor more than ten Directors appointed by the Board of Directors.

The Board of Directors shall seek to have external Directors constitute a majority over the executive Directors.

In all cases, the affirmative vote of at least two-thirds of the members of the Board of Directors shall be required in order for the appointment or re-appointment of the members of the Executive Commission to be valid.

**b) Operation.**

The Executive Commission shall meet whenever called by the Chairman thereof, and shall normally meet every fifteen days.

The Chairman and Secretary of the Board of Directors shall act as the Chairman and Secretary of the Executive Commission. One or more Vice Chairmen and a Deputy Secretary may also be appointed.

A valid quorum of the Executive Commission shall exist with the presence, in person or by proxy, of more than one-half of its members.

Resolutions shall be adopted by a majority of the Directors attending the meeting (in person or by proxy), and in the case of a tie, the Chairman shall cast the deciding vote.

**c) Relationship with the Board of Directors.**

The Executive Commission shall report to the Board of Directors in a timely manner on the matters dealt with and the decisions adopted at the meetings thereof, and a copy of the minutes of such meetings shall be made available to the members of the Board of Directors.

**Article 22. Audit and Control Committee.****a) Composition.**

The Audit and Control Committee shall consist of such number of Directors as the Board of Directors determines from time to time, who shall in no case be less than three and shall be appointed by the Board of Directors. All members thereof must be external or non-executive Directors, and at least a majority of them must be independent Directors. In appointing its members, and particularly its Chairman, the Board of Directors shall take into account their knowledge and experience in matters of accounting, auditing or both, as well as in risk management. As a group, the members of the Committee shall have relevant technical knowledge relating to the industry to which the Company belongs.

The Chairman of the Audit and Control Committee, who shall in all events be an independent Director, shall be appointed from among its members, and shall be replaced



every four years; he may be re-elected after the passage of one year from the date when he ceased to hold office.

**b) Powers and duties.**

Without prejudice to any other tasks that the Board of Directors may assign thereto, the primary duty of the Audit and Control Committee shall be to support the Board of Directors in its supervisory duties. Specifically, it shall have at least the following powers and duties:

- 1) To report to the shareholders at the General Shareholders' Meeting on matters raised at the Committee and within the purview thereof, and particularly regarding the results of the audit, explaining how it has contributed to the integrity of the financial information and the function performed by the Committee in such process.
- 2) To submit to the Board of Directors proposals for the selection, appointment, re-election or replacement of the external auditor, taking responsibility for the selection process in accordance with the provisions of law, as well as the terms for the hiring thereof, and regularly obtain information from the auditor regarding the audit plan and the implementation thereof, in addition to preserving the independence thereof in the performance of its duties.
- 3) To supervise internal audit and, in particular:
  - a) To ensure the independence and efficiency of the internal audit function;
  - b) To propose the selection, appointment and removal of the person responsible for internal audit;
  - c) To propose the budget for such service;
  - d) To review the internal audit annual work plan and its annual activities report;
  - e) To receive periodic information on its activities; and
  - f) To verify that the senior executive officers take into account the conclusions and recommendations of its reports.
- 4) To supervise the process of preparing and submitting mandatory financial information and submit recommendations or proposals to the board of directors intended to safeguard the integrity thereof. With respect thereto, it shall be responsible for supervising the process of preparation and the integrity of the financial information relating to the Company and the Group, reviewing compliance with regulatory requirements, the proper determination of the scope of consolidation, and the correct application of accounting standards, informing the Board of Directors thereof.
- 5) To supervise the effectiveness of the Company's internal control system, internal audit, and systems for the management of risk, including tax risks, and to discuss with the Auditor significant weaknesses in the internal control system detected during the audit, all without infringing the independence thereof. In such cases, and if applicable, it may submit recommendations or proposals to the Board of

Directors and the corresponding period for follow-up thereon. With respect thereto, it shall be responsible for proposing to the Board of Directors a risk control and management policy, which shall identify at least the following:

- a) the types of risk (operational, technological, financial, legal and reputational) facing the company;
  - b) the setting of the risk level that the Company deems acceptable; the measures to mitigate the impact of the identified risks, should they materialize; and
  - c) the control and information systems to be used to control and manage the above-mentioned risks.
- 6) To establish and supervise a mechanism to allow employees to confidentially and anonymously report potentially significant irregularities, particularly any financial or accounting irregularities detected within the Company.
  - 7) To establish and maintain appropriate relations with the Auditor in order to receive, for review by the Committee, information on all matters that could entail a threat to the independence thereof, as well as any other matters relating to the audit procedure, and when applicable, authorization of services other than those that are prohibited, upon the terms contemplated by applicable law, and such other communications as may be provided for in auditing legislation and auditing rules. In any event, the Audit and Control Committee must receive, on an annual basis, a declaration from the Auditor of its independence vis-à-vis the entity or entities directly or indirectly related thereto, as well as detailed and itemized information regarding additional services of any kind provided and the corresponding fees received by such entities from the Auditor or by the persons or entities related thereto pursuant to the provisions of applicable law.
  - 8) To issue on an annual basis, prior to the issuance of the audit report, a report stating an opinion on whether the independence of the Auditor has been compromised. This report must in all cases include a reasoned assessment of the provisions of each and every one of the additional services referred to in point 7) above, both individually and as a whole, other than the legal audit and regarding the rules on independence or regulations on the activity of auditing.
  - 9) To analyze and report on the financial terms, accounting impact and, if applicable, the exchange ratio proposed for structural modifications and corporate transactions that the Company expects to carry out, prior to submission to the Board of Directors.
  - 10) To report in advance to the Board of Directors on all matters provided by law and the By-Laws, and particularly regarding:
    1. Financial information that the Company must periodically make public;
    2. The creation or acquisition of interests in special-purpose entities or entities domiciled in countries or territories considered to be tax havens;

and

3. Related-party transactions.

- 11) As regards those companies of the Group that are deemed to be Public-Interest Entities (*Entidades de Interés Público*) (as defined by applicable law), to perform all those duties of the Audit Committee at any time contemplated by applicable law, such that they are so approved by the Board of Directors, provided that they are directly or indirectly wholly-owned by the Company pursuant to the provisions of applicable law and that the administration thereof is not vested in a Board of Directors.

The provisions of sections 2, 7 and 8 of this article are deemed to be without prejudice to the regulations governing auditing.

**c) Operation.**

The Audit and Control Committee shall meet at least once every quarter and as often as appropriate, when called by its Chairman.

In the performance of its duties, the Audit and Control Committee may require that the Company's Auditor and the person responsible for internal audit, and any employee or senior executive officer of the Company, attend its meetings.

**Article 23. Nominating, Compensation and Corporate Governance Committee.**

**a) Composition.**

The Nominating, Compensation and Corporate Governance Committee shall consist of such number of members as the Board of Directors determines from time to time, who shall in no case be less than three and shall be appointed by the Board of Directors. All members thereof must be external or non-executive Directors and the majority of them must be independent Directors.

The Chairman of the Nominating, Compensation and Corporate Governance Committee, who shall in all events be an independent Director, shall be appointed from among its members.

The Board may approve the creation of two Committees, separately vesting one of them with powers and duties in the area of appointments, and the other with powers and duties relating to compensation, and may vest either of them with powers and duties relating to corporate governance.

**b) Powers and duties.**

Without prejudice to any other tasks that the Board of Directors may assign thereto, the Nominating, Compensation and Corporate Governance Committee shall have the following powers and duties:

- 1) To evaluate the skills, knowledge and experience necessary within the Board of Directors. For such purposes, it shall determine the functions and aptitudes needed in the candidates who must fill each vacancy and shall evaluate the time and dedication required for them to effectively carry out their tasks.
- 2) To establish a goal for representation by the less represented gender on the Board of Directors and prepare guidance on how to reach this objective.
- 3) To submit proposed appointments of independent Directors to the Board of Directors for appointment on an interim basis to fill a vacancy or for submission of such proposals to a decision by the shareholders at the General Shareholders' Meeting, as well as proposals for the re-election or removal of such Directors by the shareholders at the General Shareholders' Meeting.
- 4) To submit proposed appointments of the other Directors of the Company for appointment on an interim basis to fill a vacancy or for submission of such proposals to a decision by the shareholders at the General Shareholders' Meeting, as well as proposals for the re-election or removal thereof by the shareholders at the General Shareholders' Meeting. To also report on proposals for the appointment and removal of the Secretary and any Deputy Secretary of the Board of Directors of the Company, as well as proposals for the appointment, re-election and removal of Directors from the subsidiaries thereof.
- 5) To report on proposals for the appointment and removal of the Senior Executive Officers of the Company and its subsidiaries.
- 6) To report on the proposals for appointment of the members of the Executive Commission and of the other Committees of the Board of Directors, as well as the respective Secretary and, if applicable, the respective Deputy Secretary.
- 7) To propose to the Board of Directors the appointment of the Lead Director from among the independent Directors.
- 8) Together with the Chairman of the Board of Directors, to organize and coordinate a periodic assessment of the Board of Directors pursuant to these Regulations.
- 9) To report on the periodic evaluation of the performance of the Chairman of the Board of Directors.
- 10) To examine or organize the succession of the Chairman of the Board of Directors and, if applicable, to make proposals to the Board of Directors so that such succession occurs in an orderly and planned manner.
- 11) To propose to the Board of Directors, within the framework established in the By-Laws, the compensation for the Directors and review it periodically to ensure that it is in keeping with the tasks performed by them, as provided in Article 34 of these Regulations.
- 12) To propose to the Board of Directors, within the framework established in the By-Laws, the extent and amount of the compensation, rights and remuneration of a financial nature, of the Chairman of the Board of Directors, the executive

Directors and the senior executive officers of the Company, as well as the basic terms of their contracts, for purposes of contractual implementation thereof.

- 13) To prepare and propose to the Board of Directors an annual report regarding the Director compensation policy.
- 14) To verify the information regarding the compensation of the Directors and senior executive officers set forth in the various corporate documents, including the annual report on the Director compensation policy.
- 15) To supervise compliance with the Company's internal rules of conduct and the corporate governance rules thereof in effect from time to time.
- 16) To exercise such other powers and perform such other duties as are assigned the Nominating, Compensation and Corporate Governance Committee in these Regulations.

**c) Operation.**

In addition to the meetings provided for in the annual schedule, the Nominating, Compensation and Corporate Governance Committee shall meet whenever the Board of Directors of the Company or the Chairman of the Board of Directors requests the issuance of a report or the making of a proposal within the scope of its powers and duties, provided that, in the opinion of the Chairman of the Committee, it is appropriate for the proper implementation of its duties.

In particular, the Nominating, Compensation and Corporate Governance Committee shall consult the Chairman of the Board of Directors when dealing with matters regarding the executive Directors and senior executive officers.

**Article 24. Regulation Committee.**

**a) Composition.**

The Regulation Committee shall consist of such number of members, all of them Directors, as the Board of Directors determines from time to time, who shall in no case be less than three and the majority of whom must be external Directors.

The Chairman of the Regulation Committee shall be appointed from among its members.

**b) Duties.**

Without prejudice to other duties that the Board of Directors may assign thereto, the Regulation Committee shall have at least the following duties:

- 1) To monitor on a permanent basis the principal regulatory matters and issues affecting the Group at any time, through the study, review and discussion thereof.
- 2) To act as a communication and information channel on regulatory matters between the management team and the Board of Directors and, where appropriate, to advise the Board of Directors of those matters deemed significant to the

Company or to any of the companies of the Group in respect of which it is necessary or appropriate to make a decision or adopt a particular strategy.

#### **Article 25. Service Quality and Customer Service Committee.**

##### **a) Composition.**

The Service Quality and Customer Service Committee shall consist of such number of members, all of them Directors, as the Board of Directors determines from time to time, who shall in no case be less than three and the majority whom must be external Directors.

The Chairman of the Service Quality and Customer Service Committee shall be appointed from among its members.

##### **b) Duties.**

Without prejudice to any other duties that the Board of Directors may assign thereto, the Service Quality and Customer Service Committee shall have at least the following duties:

- 1) To periodically examine, review and monitor the quality indices of the principal services provided by the companies of the Group.
- 2) To evaluate levels of customer service provided by the companies of the Group to their customers.

### **TITLE V. RIGHTS AND OBLIGATIONS OF DIRECTORS**

#### **CHAPTER I.- RIGHT TO RECEIVE AND DUTY TO PROVIDE INFORMATION**

##### **Article 26. Right to receive and duty to provide information.**

1. Directors shall diligently acquaint themselves with the operations of the Company, gathering to such end as much information as may be necessary or appropriate at any time for the proper and diligent performance of their duties.

To that end, the Directors have the broadest powers to obtain information on any aspect of the Company, to examine its books, records, documents and other background information on corporate transactions.

Such right to receive information also extends to the various companies of the Group to the extent required to permit fulfillment of the duties to which Article 6 of these Regulations refers.

2. In order not to interfere with the ordinary management of the Company, the exercise of the right to receive information shall be channeled through the Chairman or the Secretary of the Board of Directors, who shall respond to the requests made by the Directors, providing them with the requested information directly or offering them the proper contacts at the appropriate level of the organization.

3. The Company shall provide the support required for new Directors to be able to acquire speedy and adequate knowledge about the Company and its corporate governance regulations, and may establish orientation programs for such purpose. Whenever

circumstances make it advisable, the Company may also establish continuing education programs for the Directors

**Article 27. Expert assistance.**

1. In order to receive assistance in the performance of their duties, the Directors or any of the Committees of the Board of Directors may request that legal, accounting, or financial or other experts be retained at the Company's expense.

The engagement must necessarily be related to specific problems of a certain significance and complexity that arise in the performance of their duties.

2. The decision to retain such services must be communicated to the Chairman of the Board of Directors and shall be formalized through the Secretary of the Board of Directors, unless the Board of Directors does not consider such engagement to be necessary or appropriate.

**CHAPTER II.- OBLIGATIONS OF DIRECTORS**

**Article 28. Duty of diligence.**

1. The Directors must act with the diligence of an ordinary businessman, taking into account the nature of the position and the duties vested in each of them, and are accordingly required to:

- a) Inform themselves and adequately prepare the meetings of the Board of Directors and of the Committees on which they serve.
- b) Attend the meetings of the decision-making bodies of which they are members and actively participate in deliberations, in order for their opinions to contribute effectively to the decision-making process, and take responsibility for them.
- c) Perform any specific duty assigned to them by the Board of Directors that reasonably falls within the scope of their commitments.
- d) Promote the investigation of any irregularity in the management of the Company which may have come to their knowledge and ensure the adoption of appropriate measures to control any situation of risk.
- e) Request that a meeting of the Board of Directors be called whenever they consider it necessary, or that the items they deem appropriate be included in the Agenda.
- f) Oppose resolutions that are contrary to the law, the By-Laws or the corporate interest, and request that their opposition be recorded in the Minutes.

2. The Directors must devote the time and efforts required to perform their duties and, to such end, shall report to the Nominating, Compensation and Corporate Governance Committee on their other professional obligations if they might interfere with the performance of their duties as Directors.

In this regard, those Directors who belong to more than five Boards of Directors of commercial companies other than Telefónica, S.A. and the companies within its Group may not be appointed as Directors of the Company.

For such purposes, a) all Directors of companies forming part of the same group shall be counted as only one director; and b) Directors of holding companies or who create vehicles or supplements for the professional practice of the Director or the Director's spouse or person with a similar relationship of affection or their closest relatives shall not be calculated.

By way of exception, the Board may waive this prohibition for the Director on duly justified grounds.

### **Article 29. Duty of loyalty.**

Directors must perform their duties with the loyalty of a faithful representative, acting in good faith and in the best interests of the Company.

### **Article 30. Specific applications of the duty of loyalty.**

In the performance of their duties, Directors shall act with absolute loyalty to the interest of the Company.

To that end, Directors must comply with the following obligations and observe the following prohibitions:

- a) The Directors may not use the name of the Company or rely on their status as Directors to enter into transactions for their own account or for the account of related persons.
- b) The Directors may not, for their own benefit or for the benefit of related persons, make investments or transactions relating to the assets of the Company of which they have become aware through serving as Directors, when such transactions were offered to the Company, or the Company has an interest therein, provided the Company has not rejected them owing to the influence of the Directors.
- c) The Directors may not make use of the Company's assets, or use their position to obtain a financial advantage, unless they have paid appropriate consideration.  
If an advantage is received by them in their capacity as shareholders, it shall only be proper if it respects the principle of equal treatment of shareholders.
- d) Directors must inform the Board of Directors of any situation of direct or indirect conflict they may have with the interest of the Company. In the event of conflict, the Director affected shall refrain from participating in the transaction to which the conflict refers.
- e) Directors must refrain from participating in votes that affect matters in which they or persons related to them have a direct or indirect interest.
- f) No Director may directly or indirectly enter into professional or commercial transactions with the Company or with any of the companies of its Group, if such



transactions are unrelated to the ordinary course of business or are not performed on an arm's length basis, unless the Board of Directors is informed thereof in advance and, with the prior report of the Nominating, Compensation and Corporate Governance Committee, it approves the transaction upon the affirmative vote of at least 90% of the Directors present at the meeting in person or by proxy.

- g) Directors must also report, with respect to themselves as well as the persons related thereto, (a) the direct or indirect interests held by them; and (b) the offices held or duties performed at any company that is in a situation of actual competition with the Company.

For purposes of the provisions of this paragraph, the following shall not be deemed to be in a situation of actual competition with the Company, even if they have the same or a similar or complementary corporate purpose: (i) companies controlled thereby (within the meaning of Article 42 of the Commercial Code); and (ii) companies with which the Company has established a strategic alliance. Proprietary Directors of competitor companies appointed at the request of the Company or in consideration of the Company's interest in the capital thereof shall not be deemed to be prohibited from competing.

- h) Directors must report to the Board of Directors any circumstances related to them that might damage the credit or reputation of the Company as soon as possible.

## **Article 31. Duty of secrecy.**

1. Even after they cease to hold office, Directors must keep secret the confidential information, data, reports or records of which they have become aware as a result of the performance of their duties, and may not disclose them to third parties or disseminate them if such disclosure or dissemination might have consequences that are detrimental to the corporate interest.

An exception to the duty referred to in the preceding paragraph is made for instances in which the law permits the communication or disclosure of information to third parties and other instances in which the Directors are required to provide it to supervisory authorities or are requested to do so, in which case the release of information must comply with the provisions of law.

2. All documentation and information that Directors acquire by reason of their office is confidential and may not be disclosed in any way, unless a resolution of the Board of Directors expressly establishes an exception from such confidential character.

3. If a Director is a legal entity, the duty of secrecy shall lie with its representative, without prejudice to compliance with the obligation to maintain its representative informed.

**Article 32. Specific duties arising from the status of the Company as a listed company.**

1. Directors must at all times observe the rules of conduct established by law, and particularly those established in the Company's Internal Rules of Conduct in Matters relating to the Securities Markets.

2. In particular, Directors may not enter into, or suggest that any person enter into, transactions regarding securities of the Company or of the companies of the Group in respect of which they have privileged information by reason of their office.

3. Furthermore, Directors may not use non-public information of the Company for private purposes, except when the following conditions are met:

- a) the use of such information does not violate the law;
- b) the use thereof does not cause any prejudice to the Company; and
- c) the Company does not hold an exclusive right or a legal position of similar import with respect to the information they wish to use, unless there is express authorization by the Board of Directors.

4. Likewise, Directors must abide by all obligations to provide information that they are required to comply with by law in their capacity as such.

**Article 33. Liability of Directors.**

Directors shall be liable to the Company, to the shareholders and to the creditors of the Company for the damage caused by acts or omissions contrary to the law or the By-Laws, or by their acts or omissions in breach of the obligations inherent to the performance of their duties, provided that there has been willful misconduct (*dolo*) or negligence (*culpa*), on the terms and conditions established by law.

**CHAPTER III. COMPENSATION OF THE BOARD OF DIRECTORS.****Article 34. Compensation of Directors.**

1. In return for performing the duties of supervision and collective decision-making of the Board of Directors, Directors shall be entitled to receive the compensation set by the Board of Directors in accordance with the By-Laws and following a report of the Nominating, Compensation and Corporate Governance Committee.

2. In addition, in return for performing delegated executive duties or those entrusted by the Board, executive Directors shall be entitled to receive the compensation set by the Board of Directors in the corresponding contract, upon a proposal of the Nominating, Compensation and Corporate Governance Committee.

3. The Board of Directors shall ensure that the compensation of a Director is in keeping with that paid on the market at companies of a similar size and activity, and that any variable compensation takes into account the professional performance of the beneficiaries and is not merely the result of the circumstances prevailing in the market. Decisions made by the Board

of Directors regarding compensation as provided by law and the By-Laws shall be in accordance with the Director compensation policy from time to time in effect.

4. Directors' compensation shall be fully transparent. For this purpose, the Nominating, Compensation and Corporate Governance Committee shall review the Director compensation policy on an annual basis.

5. At least every three years, upon a proposal of the Nominating, Compensation and Corporate Governance Committee, the Board of Directors shall submit the director remuneration policy for approval of the shareholders at the General Shareholders' Meeting upon the terms provided by law and the By-Laws.

#### **Article 35. Report on Directors' compensation.**

1. Together with the annual corporate governance report, the Board of Directors shall annually approve, upon a proposal of the Nominating, Compensation and Corporate Governance Committee, a report regarding the compensation of its Directors. Such report shall include complete, clear and comprehensible information regarding the Company's compensation policy approved by the Board of Directors for the current year, as well as any policy approved for future years, and shall also include an overall summary of how the compensation policy was applied during the fiscal year, as well as a breakdown of the individual compensation accrued by each of the Directors.

2. The compensation report shall be made available to the shareholders on the Company's corporate website no later than the date of publication of the call to the Annual General Shareholders' Meeting that is to decide on the annual financial statements corresponding to the fiscal year covered by such report, and shall be submitted to a consultative vote of the shareholders as a separate item on the agenda.

3. The report on Directors' compensation shall be the subject of a communication to the National Securities Market Commission and shall be published as a significant event (*hecho relevante*) within four months of the end of the fiscal year to which it refers, and in no event later than the date of publication of the call to the Annual General Shareholders' Meeting.

### **TITLE VI. RELATIONSHIPS OF THE BOARD OF DIRECTORS.**

#### **Article 36. Relationships with shareholders.**

1. The Directors shall be periodically informed about changes in shareholders and of the opinion of significant shareholders, investors and rating agencies regarding the Company and the Group.

2. The Board of Directors, acting as liaison between the owners and management, shall establish appropriate channels to receive the proposals that may be made by the shareholders in connection with the management of the Company.

The Board of Directors shall define and promote a policy for communication and contacts with shareholders, institutional investors and proxy advisors that fully respects rules prohibiting market abuse and the similar treatment of shareholders in the same position.

3. The Board of Directors may, through some of its Directors and with the cooperation of such senior executive officers as it considers appropriate, organize informational meetings on the operations of the Company and of its Group with shareholders residing in the most important financial markets in Spain and in other countries.

4. The Board of Directors shall also establish appropriate mechanisms for a regular exchange of information with the institutional investors who are shareholders of the Company.

5. The Board of Directors shall encourage informed participation by shareholders at General Shareholders' Meetings and shall take such measures as may be appropriate to ensure that the shareholders at the General Shareholders' Meeting effectively perform their duties under the law and the By-Laws.

#### **Article 37. Publicity of relationships with shareholders.**

The Company shall publicize through its website the communication and contacts policy referred to in the preceding article, including information regarding the manner in which it has been implemented, and shall identify the participants or those responsible for implementation thereof.

#### **Article 38. Related-party transactions.**

1. The Board of Directors, after a report from the Audit and Control Committee, shall approve transactions of the Company or its Group with shareholders that individually or collectively with others have a significant shareholding, including shareholders represented on the Board of Directors of the Company or of other companies of the Group, or with persons related thereto, unless the law assigns this power to the shareholders acting at a General Shareholders' Meeting.

The Directors that are affected, or that represent or are associated with the affected shareholders, must abstain from taking part in the deliberation and voting on the resolution in question.

Exceptions from these approval operations that, under current legislation, do not require such approval or waiver.

2. Under urgent and duly justified circumstances, decisions regarding the above matters may be made by the delegated bodies or persons, but must be ratified at the first meeting of the Board of Directors held after the adoption of the decision.

3. The transactions referred to in this article shall be assessed from the point of view of equal treatment of shareholders and the arm's-length basis of the transaction, and shall be included in the annual corporate governance report and in the periodic public information of the Company upon the terms provided by law.

Approval shall also require an assurance as to the harmlessness of the transaction to corporate assets, or if applicable, the performance thereof on market terms and the transparency of the process.

4. The rules regarding approval of transactions by the Company with Directors are set forth in Article 30 of these Regulations.

### **Article 39. Relationships with markets.**

1. The Board of Directors shall perform all duties imposed by the Company's status as an issuer of listed securities.

2. In particular, the Board of Directors shall perform the following specific duties with respect to the securities markets in the manner provided in these Regulations:

- a) The approval of periodic public information of a financial nature.
- b) The performance of all acts and adoption of as many measures as may be required to ensure the transparency of the Company with respect to financial markets, reporting to such markets, in particular, all events, decisions or circumstances that might be relevant for the listing of the shares.
- c) The performance of all acts and the adoption of as many measures as may be required to ensure the correct formation of prices for the Company's shares and, when appropriate, those of other companies of the Group with shares listed on the securities markets, particularly avoiding manipulations and insider dealing.

3. The Board of Directors shall take the measures necessary to ensure that the periodic public financial information that prudence advises be made available to the markets is prepared in accordance with the same principles, standards and professional practices as are used in the preparation of the annual financial statements, and that it is as reliable as such annual financial statements. To that end, such information shall be reviewed by the Audit and Control Committee.

4. The Board of Directors shall at all times ensure the proper safeguard of data and information on the securities issued by the Company, without prejudice to its duty of communication and cooperation with judicial and administrative authorities, preventing such data or information from being used abusively or disloyally, reporting cases where that has occurred and promptly taking the necessary actions available to it to prevent, avoid and, where appropriate, correct the consequences that may arise therefrom.

5. The following information regarding Directors shall be posted and updated on the Company's corporate website:

- a) Professional and biographical profile.
- b) Other Board of Directors to which they belong, whether or not listed companies, as well as other compensated activities that they perform, whatever the nature thereof.
- c) A statement of the category of the Director in question and, in the case of proprietary external directors, the shareholder they represent or to which they are related.
- d) Date of their first appointment as Director, as well as subsequent appointments.

- e) Company shares and stock options thereon held by them.

**Article 40. Relationships with the Auditor.**

1. The Board of Directors shall, through the Audit and Control Committee, establish a stable and professional relation with the Company's Auditor, strictly respecting the independence thereof.

2. The Audit and Control Committee shall ensure that the Board of Directors prepares the final financial statements in a manner that will create no reason for limitations or qualifications from the Auditor. However, whenever the Board of Directors considers that it should maintain its standards, the Chairman of the Audit and Control Committee shall publicly explain the contents and scope of the discrepancies.

3. The Auditor shall hold a yearly meeting with the full Board of Directors to report thereto on the work performed and the accounting and risk status of the Company.

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