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Chapter I. INTRODUCTION

Article 1.- Purpose

The purpose of these rules and regulations is to establish the rules of operation and internal organisation of the board of directors by way of further development of the applicable legal and bylaw provisions, setting forth the principles that are to govern all action taken by the board and the rules of behaviour to be observed by its members.

Article 2.- Interpretation

The board of directors shall interpret these rules and regulations pursuant to the provisions of law and the Bylaws and the good governance principles and recommendations that apply at any time.

Chapter II. MISSION OF THE BOARD OF DIRECTORS

Article 3.- Management and supervisory powers

1. Except for those matters which are reserved to the shareholders acting at the general shareholders’ meeting, the board of directors is the highest decision-making body of the Company.

2. Without prejudice to the foregoing, the policy adopted by the board consists of delegating the day-to-day management of the Company to the executive bodies and the management team and focusing its activity on the general supervisory function, assuming and discharging per se, without the power of delegation, the responsibilities entailed in this function and, in particular, those set forth below:

   a) Approval of the general policies and strategies of the Company, particularly:

      (i) Strategic plans, management goals and annual budget;

      (ii) Dividend and treasury stock policy;
(iii) General risk management policy;

(iv) Corporate governance policy;

(v) Corporate social responsibility policy.

b) Approval of the policies for the provision of information to and for communication with the shareholders, the markets and the public opinion. The board assumes the duty to promptly provide the markets with accurate and reliable information, especially in connection with the shareholding structure, any substantial amendments to the rules of governance, related party transactions of particular importance, and treasury stock.

c) Approval of the financial information that the Company must make public on a periodic basis.

d) Approval of transactions entailing the acquisition and disposition of substantial assets of the Company and major corporate transactions, unless such approval must be given by the shareholders at a general shareholders’ meeting, pursuant to the provisions of article 20 of the Bylaws.

e) Approval, within the framework of the provisions of article 58 of the Bylaws, of the compensation to which each director is entitled.

f) Approval of the contracts governing the performance by directors of duties other than those of a mere director and the compensation to which they are entitled for the performance of additional duties, whether they are the duties of an executive director or otherwise, other than the duties of supervision and collective decision-making that they discharge in their capacity as mere members of the board.

g) The appointment, and where applicable, removal from office of the rest of the members of senior management, as well as the definition of the basic terms of their contracts. Approval of their remuneration and that of other officers who, whilst not members of senior management, receive significant compensation, particularly variable compensation, and whose activities may have a significant impact on the assumption of risk by the Group.

h) Control of management activities and evaluation of managers.

i) Authorisation for the creation or acquisition of shareholdings in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens.

j) And all others specifically provided for in these rules and regulations.
The powers set forth in paragraphs (c), (d), (e), (f), (g) and (i) may be exercised by the executive committee on an emergency basis, with a subsequent report thereof to the board at the first meeting thereafter held by it.

**Article 4.- Powers of representation**

1. The power to represent the Company, in court and out of court, is vested in the board of directors acting collectively.

2. The chairman of the board also has the power to represent the Company.

3. The secretary of the board and the vice secretary, if any, have the necessary representative powers to convert shareholder and board resolutions into public instruments and to apply for registration thereof.

4. The provisions of the preceding paragraphs are without prejudice to any other powers of attorney, whether general or special, that may be granted.

**Article 5.- Creation of value for the shareholder**

The board of directors and its representative bodies shall exercise their powers and, in general, perform their duties with a view to maximising the value of the Company in the interest of the shareholders.

The board of directors shall also ensure that the Company faithfully complies with applicable law, respects the uses and good practices of the industries or countries where it carries out its activities and observes the principles of social responsibility that it has voluntarily accepted.

**Chapter III. COMPOSITION OF THE BOARD OF DIRECTORS**

**Article 6.- Qualitative composition**

1. In exercising its powers to make proposals at the general shareholders’ meeting and to designate directors by interim appointment (co-option) to fill vacancies, the board of directors shall endeavour to ensure that the external or non-executive directors represent a wide majority over the executive directors and that the former include a reasonable number of independent directors. In addition, the board of directors shall cause the number of independent directors to represent at least one-third of all directors.

2. For purposes of the provisions of the Bylaws and of these rules and regulations:

   (a) The following shall be considered executive directors: the chairman, the managing director(s), and all other directors who perform management duties within the Company or the Group and do not limit their activity to
the duties of supervision and collective decision-making falling upon the directors, including, in all events, those directors who, through the delegation of their powers, stable proxy-granting, or a contractual, employment or services relationship with the Company other than that inherent in their mere capacity as directors, have any decision-making capacity in connection with any part of the business of the Company or the Group.

(b) External or non-executive directors who hold or represent shareholdings equal to or greater than 1% shall be considered proprietary directors.

(c) External or non-executive directors who have been appointed based on their personal or professional status and who perform duties not conditioned by relationships with the Company or with the significant shareholders or management thereof shall be considered independent directors.

In no event may there be a classification as independent directors of those who:

(i) Have been employees or executive directors of the Group’s companies, except after the passage of 3 or 5 years, respectively, since the cessation of such relationship.

(ii) Receive from the Company, or from another Group company, any amount or benefit for something other than director compensation, unless it is immaterial.

For purposes of the provisions of this sub-section, neither dividends nor pension supplements that a director receives by reason of the director's prior professional or employment relationship shall be taken into account, provided that such supplements are unconditional and therefore, the Company paying them may not suspend, modify or revoke the accrual thereof without breaching its obligations.

(iii) Are, or have been during the preceding 3 years, a partner of the external auditor or the party responsible for auditing the Company or any other Group company during such period.

(iv) Are executive directors or senior managers of another company in which an executive director or senior manager of the Company is an external director.

(v) Maintain, or have maintained during the last year, a significant business relationship with the Company or with any Group company, whether in their own name or as a significant shareholder,
director or senior manager of an entity that maintains or has maintained such relationship.

Business relationships shall be considered the relationships of a provider of goods or services, including financial services, and those of an advisor or consultant.

(vi) Are significant shareholders, executive directors or senior managers of an entity that receives, or has received during the preceding 3 years, significant donations from the Company or the Group.

Those who are merely members of the board of a foundation that receives donations shall not be considered included in this item.

(vii) Are spouses, persons connected by a similar relationship of affection, or relatives to the second degree of an executive director or senior manager of the Company.

(viii) Have not been proposed, whether for appointment or for renewal, by the appointments and remuneration committee.

(ix) Are, as regards a significant shareholder or shareholder represented on the board, in one of the circumstances set forth in items (i), (v), (vi) or (vii) of this sub-section 2(c). In the event of a kinship relationship as set forth in item (vii), the limitation shall apply not only with respect to the shareholder, but also with respect to the proprietary directors thereof in the affiliated company.

3. The board shall specify the nature of each director at the general shareholders’ meeting wherein the appointment thereof is to be made or ratified. Furthermore, such nature shall be reviewed on an annual basis by the board of directors, after prior verification by the appointments and remuneration committee, and disclosed in the annual corporate governance report.

Article 7.- Quantitative composition

1. The board of directors shall be composed of such number of directors as the shareholders acting at a general shareholders’ meeting may determine within the limits established in the Bylaws, whether directly, or indirectly by the resolutions adopted at a general shareholders’ meeting whereby directors are appointed or their appointment is revoked.

2. The board shall submit a proposal at the general shareholders’ meeting setting forth the number of directors that, in view of the changing circumstances affecting the Company, is deemed to be most appropriate to ensure a proper degree of representation and the effective operation of the board.
Chapter IV. STRUCTURE OF THE BOARD OF DIRECTORS

Article 8. - Chairman of the board of directors

1. The chairman of the board of directors shall be chosen from amongst the members of this management decision-making body, shall have the status of executive chairman of the Bank and shall be deemed to hold the highest-ranking position in the Company. Accordingly, there shall be delegated to him all such powers as may be delegated pursuant to the provisions of law, the Bylaws and these rules and regulations, and he shall have the duty to lead the management team of the Company, at all times in accordance with the decisions made and the standards established by the shareholders at the general shareholders’ meeting and by the board of directors, each within their respective spheres of action.

2. The executive chairman shall have the duties established in article 48.1 of the Bylaws, among such other duties as may be set forth in the Bylaws or in these rules and regulations.

3. The chairman shall endeavour to ensure that the directors receive sufficient information prior to the meetings, and shall direct debate at the meetings of the board.

4. The chairman shall organise and coordinate a periodic evaluation of the board with the chairman of the audit and compliance and appointments and remuneration committees.

Article 9. - Vice chairman of the board

The board shall designate, from amongst its members and for an indefinite term, one or more vice chairmen, who shall be numbered consecutively.

The vice chairman, or the first vice chairman, if more than one has been appointed, shall be external or non-executive.

The vice chairman, or one of them, if there are several, must have the status of independent director and shall act as a coordinator for the directors within that category and the other external directors.

The vice chairman or vice chairmen, in the established numerical sequence, and in their absence, the appropriate director according to a numerical sequence established by the board of directors, shall replace the chairman in the event of absence, impossibility to act or illness.

Article 10. - Managing director. Delegation of executive powers

1. Regardless of the provisions of article 48 of the Bylaws and of article 8 of these rules and regulations, the board of directors may appoint from amongst its members one
or more managing directors, granting them such powers as it deems appropriate within the limits established in the Bylaws.

2. The assignment to the chairman or to the managing director or managing directors and to any other member of the board of executive standing powers, either general or relating to a specific sector, other than the supervisory and collective decision-making powers inherent in the position of director, may be made by organic delegation, by means of general powers of attorney or through other types of agreements, and shall be approved by a two-thirds majority of the board. The members of the board to whom such powers are delegated shall be deemed to be executive directors.

The resolution whereby such powers are assigned or delegated shall define the scope of the powers granted to the executive director, the compensation to be received, and all other terms and conditions of the relationship, which shall be included in the respective contract.

3. The managing director, acting by delegation and under the control of the board of directors and the chairman, the latter being the highest-ranking officer of the Bank, shall take care of the development of the business and of the highest executive duties in the Company.

Article 11.- Secretary of the board

1. The secretary of the board shall always be the general secretary of the Company, without needing to be a director in order to hold such position.

2. The secretary shall assist the chairman in his duties and see to the proper operation of the board, for which purposes he shall, most importantly, give the directors such advice and information as may be requisite, keep custody of the corporate documents, duly record the proceedings of meetings in the minute books, including those statements for which a request has been made to reflect them in the minutes, and attest to the resolutions adopted by the board.

3. The secretary shall at all times ensure the formal and substantive legality of all action taken by the board, shall endeavour to ensure the good governance recommendations assumed by the Company are followed, and shall ensure observance and periodic review of the procedures and rules of governance.

4. The general secretary shall also serve as the secretary of all the committees of the board.

Article 12.- Vice secretary of the board

1. The board of directors may appoint a vice secretary, who need not be a director, in order that he shall assist the secretary of the board of directors and replace him in the performance of his duties in the event of absence, impossibility to act or illness.
2. Unless otherwise resolved by the board of directors, the vice secretary may attend the meetings of the board and of the committees thereof in order to assist the secretary in the performance of his duties and the drafting of the minutes of the meeting.

3. In the event of absence or impossibility to act, the secretary and the vice secretary of the board may be replaced by a director appointed by the board itself from amongst the directors present at the meeting in question. The board may also resolve that any employee of the Company act as such interim replacement.

Article 13.- Committees of the board of directors

1. Without prejudice to such powers as may be delegated individually to the chairman or any other director or the power of the board of directors to establish committees with delegated powers for each specific area of business, the board of directors shall establish an executive committee, to which general decision-making powers shall be delegated, and a risk committee, to which powers shall be delegated primarily in connection with risks.

2. In addition, an audit and compliance committee and an appointments and remuneration committee shall be established, with supervisory, reporting, advisory and proposal-making powers in connection with such matters as are specified in the articles below.

3. An international committee and a technology, productivity and quality committee shall also be established, with reporting, advisory and proposal-making powers in connection with matters within their scope of action, which committees shall be presided over by the chairman of the board of directors.

Article 14.- Executive committee

1. The executive committee shall consist of a minimum of five and a maximum of twelve directors. The chairman of the board of directors shall also be the chairman of the executive committee.

2. The board of directors shall endeavour to ensure that the size of and types of directors making up the executive committee shall conform to standards of efficiency and reflect the guidelines followed in determining the composition of the board.

3. Any permanent delegation of powers to the executive committee and all resolutions adopted for the appointment of its members shall require the favourable vote of not less than two-thirds of the members of the board of directors.

4. The permanent delegation of powers by the board of directors to the executive committee shall include all of the powers of the board, except for those which cannot
legally be delegated or which may not be delegated pursuant to the provisions of the Bylaws or of these rules and regulations.

5. The executive committee shall meet as many times as it is called to meeting by its chairman or by the vice chairman replacing him.

6. All members of the board who are not also members of the executive committee may attend the meetings of such executive committee at least twice a year, for which purpose they shall be called by the chairman.

7. The executive committee shall report to the board of directors on the affairs discussed and the decisions made in the course of its meetings and shall make a copy of the minutes of such meetings available to the members of the board.

Article 15.- Risk committee

1. The risk committee shall be composed of a minimum of four and a maximum of six directors. The chairmanship of the committee shall be held by a vice chairman with executive duties.

The risk committee shall be an executive committee, and therefore may adopt the corresponding decisions within the scope of the powers delegated by the board.

2. A delegation of powers to the risk committee and resolutions appointing the members thereof shall require the favourable vote of at least two-thirds of the members of the board.

3. The risk committee shall have the delegated powers specifically set forth in the resolution on delegation, and shall generally assume the following responsibilities:

   a) To propose to the board the Group’s risk policy, which must particularly identify:

      (i) The various types of risk (operational, technological, financial, legal and reputational, among others) that the Company faces, including, among financial and economic risks, contingent liabilities and others which are off-balance sheet;

      (ii) The information and internal monitoring systems that will be used to monitor and manage such risks;

      (iii) The setting of the risk level that the Company deems acceptable;

      (iv) The planned measures to mitigate the impact of identified risks, in the event that they materialise.
b) To systematically review exposure to principal customers, economic sectors of activity, geographic areas and risk types.

c) To be aware of and to authorise, if appropriate, management tools, improvement initiatives, advancement of projects and any other relevant activity relating to the control of risks, specifically including the nature and behaviour of internal risk models as well as the results of internal validation thereof.

d) To assess and monitor the statements made by supervisory authorities in the exercise of their duties.

e) To ensure that the activities of the Group are consistent with the previously decided risk tolerance level and to delegate to lower-level committees or managers the powers to assume risks.

f) To make resolutions on transactions that go beyond the powers delegated to lower decision-making bodies, as well as on the global limits of pre-classification in favour of economic groups or with respect to exposures by classes of risks.

4. The risk committee, as the body responsible for global risk management, shall assess reputational risk within the scope of its activities and decisions.

5. In addition, a copy of the minutes of meetings of this committee shall be made available to all directors.

Article 16.- Audit and compliance committee

1. The audit and compliance committee shall consist of a minimum of three directors and a maximum of seven, all of whom shall be external or non-executive, with independent directors having majority representation.

2. The members of the audit and compliance committee shall be appointed by the board of directors, taking into account the directors’ knowledge, aptitude and experience in the areas of accounting, auditing or risk management.

3. The audit and compliance committee must in all events be presided over by an independent director, who shall also be knowledgeable about and experienced in matters of accounting, auditing or risk management. The chairman of the audit and compliance committee shall be replaced every four years, and may be re-elected after the passage of one year from the end of his preceding term.

4. The audit and compliance committee shall have the following duties:
a) Have its chairman and/or secretary report to the shareholders at the general shareholders’ meeting with respect to matters raised therein by shareholders regarding its powers.

b) Propose the appointment of the auditor, as well as the conditions under which such auditor will be hired, the scope of its professional duties and, if applicable, the revocation or non-renewal of its appointment. The committee shall favour the Group’s auditor also assuming responsibility for auditing the companies making up the Group.

c) Review the accounts of the Company and the Group, monitor compliance with legal requirements and the proper application of generally accepted accounting principles, and report on the proposals for alterations to the accounting principles and standards suggested by management.

d) Supervise the internal audit services, and particularly:

   (i) Proposing the selection, appointment and withdrawal of the party responsible for internal audit;

   (ii) Reviewing the annual working plan for internal audit and the annual activities report;

   (iii) Ensuring the independence and effectiveness of the internal audit function;

   (iv) Proposing the budget for this service;

   (v) Receiving periodic information regarding the activities thereof; and

   (vi) Verifying that senior management takes into account the conclusions and recommendations of its reports.

e) Know the process for gathering financial information and for the internal control systems. In particular, the audit and compliance committee shall:

   (i) Supervise the process of preparing and the integrity of the financial information relating to the Company and the Group, reviewing compliance with regulatory requirements, the proper demarcation of group consolidation and the correct application of accounting standards; and

   (ii) Periodically review the systems for the internal monitoring and management of risks, so that the principal risks are identified, managed and properly disclosed.
f) Report on, review and supervise the risk control policy established in accordance with the provisions of these rules and regulations.

g) Serve as a channel of communication between the board and the auditor, assess the results of each audit and the response of the management team to its recommendations, and act as a mediator in the event of disagreement between the board and the auditor regarding the principles and standards to be applied in the preparation of the financial statements. Specifically, it shall endeavour to ensure that the statements ultimately drawn up by the board are submitted to the shareholders at the general shareholders’ meeting without any qualifications or reservations in the auditor’s report.

h) Supervise the fulfilment of the audit contract, endeavouring to ensure that the opinion on the annual financial statements and the main contents of the auditor’s report are set forth in a clear and accurate fashion.

i) Ensure the independence of the auditor, by taking notice of those circumstances or issues that might risk such independence and any others related to the development of the auditing procedure, as well as receive information and maintain such communication with the auditor as is provided for in legislation regarding the auditing of financial statements and in technical auditing regulations. And, specifically, verify the percentage represented by the fees paid for any and all reasons of the total income of the audit firm, and the length of service of the partner who leads the audit team in the provision of such services to the Company. The annual report shall set forth the fees paid to the audit firm, including information relating to fees paid for professional services other than audit work. Furthermore, the committee shall ensure that the Company publicly communicates a change of auditor and accompanies such communication with a declaration regarding the possible existence of disagreements with the outgoing auditor and, if any, regarding the content thereof and, in the event of the resignation of the auditor, the committee shall examine the circumstances causing it.

j) Report to the board, in advance of the adoption by it of the corresponding decisions, regarding:

(i) The financial information that the Company must periodically make public, ensuring that such information is prepared in accordance with the same principles and practices applicable to the annual financial statements.

(ii) The creation or acquisition of equity interests in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens.
k) Supervise the observance of the code of conduct of the Group in the securities markets, the manuals and procedures for the prevention of money laundering and, in general, the rules of governance and compliance in effect in the Company, and make such proposals as are deemed necessary for the improvement thereof. In particular, the committee shall have the duty to receive information and, if applicable, issue a report on disciplinary penalties to be imposed upon members of senior management.

l) Review compliance with such courses of action and measures as result from the reports issued or the inspection proceedings carried out by the administrative authorities having functions of supervision and control.

m) Know and, if applicable, respond to the initiatives, suggestions or complaints put forward or raised by the shareholders regarding the area of authority of this committee and which are submitted to it by the office of the general secretary of the Company. The committee shall also:

(i) Receive, deal with and keep a record of the claims received by the Bank on matters related to the process for gathering financial information, auditing and internal controls.

(ii) Receive on a confidential and anonymous basis possible communications from Group employees who express their concern on possible questionable practices in the areas of accounting or auditing.

n) Report on any proposed amendments to these rules and regulations prior to the approval thereof by the board of directors.

o) Evaluate, at least one a year, its operation and the quality of its work.

p) And the others specifically provided for in these rules and regulations.

5. The internal audit services of the Bank shall be controlled by the board of directors, to whom they shall report. Without prejudice to the foregoing, the internal audit services of the Bank shall respond to requests for information that they receive from the audit and compliance committee in the performance of its duties.

6. The audit and compliance committee shall meet as many times as it is called to meeting upon resolution made by the committee itself or by the chairman thereof, and at least four times per year. Any member of the management team or of the Company’s personnel shall, when so required, attend the meetings of the audit and compliance committee, provide it with his cooperation and make available to it such information as he may have in his possession. The audit and compliance committee may also require that the auditor attend such meetings. One of its meetings shall be devoted to evaluating the efficiency of and compliance with the rules and procedures
for governance of the Company and preparing the information that the board is to approve and include in the annual public documents.

7. Meetings of the audit and compliance committee shall be validly held when at least one-half of its members are present in person or by proxy. The committee shall adopt its resolutions upon a majority vote of those present in person or by proxy. In the event of a tie, the chairman of the committee shall have the tie-breaking vote. The committee members may grant a proxy to another member, but none of them may represent more than two members, in addition to himself. The resolutions of the audit and compliance committee shall be recorded in a minute book, and every one of such minutes shall be signed by the chairman and the secretary.

8. The audit and compliance committee, through its chairman, shall report on its activities to the board of directors. This reporting process shall be carried out at meetings of the board planned for this purpose. However, if the chairman of the committee deems it necessary based on the urgency and significance of the matters in question, the information shall be given to the board at the first meeting thereof to be held after the meeting of the committee.

Furthermore, a copy of the minutes of the meetings of the committee shall be made available to all directors.

**Article 17.- Appointments and remuneration committee**

1. The appointments and remuneration committee shall be composed of a minimum of three and a maximum of seven directors, all of whom shall be external or non-executive, with independent directors having majority representation.

2. The members of the appointments and remuneration committee shall be appointed by the board of directors, taking into account the directors’ knowledge, aptitudes and experience and the goals of the committee.

3. The appointments and remuneration committee must in all events be presided over by an independent director.

4. The appointments and remuneration committee shall have the following duties:

   a) Establish and review the standards to be followed in order to determine the composition of the board and select those persons who will be proposed to serve as directors. In particular, the appointments and remuneration committee:

      (i) Shall evaluate the competencies, knowledge and experience required of directors.
(ii) Shall specify the duties and the aptitudes needed of the candidates to fill each vacancy, evaluating the time and dedication needed for them to properly carry out their commitments.

(iii) Shall receive for consideration the proposals of potential candidates to fill vacancies that might be made by the directors.

b) Prepare, by following standards of objectiveness and conformance to the corporate interests, the proposals for appointment, re-election and ratification of directors provided for in section 2 of article 21 of these rules and regulations, as well as the proposals for appointment of the members of each of the committees of the board of directors. Likewise, it shall prepare, by following the same aforementioned standards, the proposals for the appointment of positions on the board of directors and its committees.

c) Annually verify the classification of each director (as executive, proprietary, independent or other) for the purpose of their confirmation or review at the ordinary general shareholders’ meeting and in the annual corporate governance report.

d) Report on proposals for appointment or withdrawal of the secretary of the board, prior to submission thereof to the board.

e) Report on appointments and withdrawals of the members of senior management.

f) Propose to the board:

(i) The policy for compensation of directors and the corresponding report, upon the terms of article 29 of these rules and regulations.

(ii) The policy for compensation of the members of senior management.

(iii) The individual compensation of the directors.

(iv) The individual compensation of the executive directors and, if applicable, external directors, for the performance of duties other than those of a mere director, and other terms of their contracts.

(v) The basic terms of the contracts and compensation of the members of senior management.

(vi) The remuneration of those other officers who, whilst not members of senior management, receive significant compensation, particularly variable compensation, and whose activities may have a significant impact on the assumption of risk by the Group.
g) Ensure compliance with the policy established by the Company for compensation of the directors and the members of senior management.

h) Periodically review the compensation programmes, assessing the appropriateness and yield thereof and endeavouring to ensure that the compensation of directors shall conform to standards of moderation and correspondence to the earnings of the Company.

i) Ensure the transparency of such compensation and the inclusion in the annual report and in the annual corporate governance report of information regarding the compensation of directors and, for such purposes, submit to the board any and all information that may be appropriate.

j) Ensure compliance by the directors with the duties prescribed in article 30 of these rules and regulations, prepare the reports provided for herein and receive information, and, if applicable, prepare a report on the measures to be adopted with respect to the directors in the event of non-compliance with the abovementioned duties or with the code of conduct of the Group in the securities markets.

k) Examine the information sent by the directors regarding their other professional obligations and assess whether such obligations might interfere with the dedication required of directors for the effective performance of their work.

l) Evaluate, at least once a year, its operation and the quality of its work.

m) Report on the process of evaluation of the board and of the members thereof.

n) And others specifically provided for in these rules and regulations.

5. The chairman and any director may make suggestions to the committee with respect to matters that fall within the scope of its powers.

6. The appointments and remuneration committee shall meet as many times as it is called to meeting upon resolution adopted by the committee itself or by the chairman thereof and, at least, four times a year. Meetings of the committee may be attended by any person from within or outside the Company as is deemed fit.

7. The appointments and remuneration committee, through its chairman, shall report to the board of directors on its activities and work at the first meeting thereof to be held after the committee’s meeting. The resolutions of the appointments and remuneration committee shall be recorded in a minute book, and every one of such
minutes shall be signed by the chairman and the secretary. Furthermore, a copy of the minutes of the meetings of this committee shall be made available to all directors.

Article 18.- International advisory board

The board of directors shall create an international advisory board, composed of a minimum of seven members and a maximum of twelve, of different nationalities and pertaining to different areas of activity, all of whom shall be external to the Bank, selected by the board of directors – who shall also appoint the chairman thereof – and who shall in no event serve as directors. Such members of the international advisory board shall have the duty to cooperate with the Bank in the design, development and, if applicable, start-up of the global business strategy by contributing and suggesting ideas, contacts and business opportunities. The international advisory board shall hold a formal meeting twice a year, and the general secretary of the Bank shall act as the secretary of such international advisory board.

Chapter V. OPERATION OF THE BOARD OF DIRECTORS

Article 19.- Meetings of the board of directors

1. The board shall meet with the frequency required for the proper performance of its duties, and shall be called to meeting by the chairman.

2. The board shall approve the annual calendar for its meetings, which must be held with the frequency needed to effectively perform its duties, with a minimum of nine meetings. In addition, the board shall meet whenever the chairman so decides at his own initiative or at the request of at least three directors.

The meetings shall, in all events, be called by the secretary or, in the absence thereof, the vice secretary, in compliance with the orders received from the chairman; notice of the call to meeting shall be sent 15 days in advance and in writing (which includes notice by fax or by electronic and data telecommunication means).

The draft agenda proposed by the chairman shall be sent at least 4 days prior to the meeting of the board by the same means provided for in the preceding paragraph. The information to be presented at the meeting of the board shall be provided to the directors reasonably in advance thereof.

When a meeting that is not contemplated in the annual calendar is called, notice of the call shall be given as early as possible. In such case, notice may also be given by telephone, and neither the time periods nor the formalities set forth in the preceding paragraphs with respect to the meetings contemplated in the annual calendar shall apply.
3. The agenda shall be approved by the board at the meeting itself. Any member of the board may propose the inclusion of any other item not included in the draft agenda proposed by the chairman to the board.

4. In the course of the meeting and/or subsequently thereto, the directors shall be provided with all such information or clarifications as they deem fit in connection with the items on the agenda. In addition, any director shall have the right to request and obtain such information and advice as is necessary for the performance of his duties; the exercise of this right shall be channelled through the secretary of the board.

5. Any person invited by the chairman may attend board meetings.

6. The board shall keep a formal list of matters reserved for discussion by it and shall formulate a plan for the distribution of such matters between the ordinary meetings contemplated in the calendar approved by the board.

7. The operation of the board and of the committees thereof, the quality of its work, and the individual performance of its members, including the chairman and the managing director or directors, shall be evaluated once a year.

Article 20.- Conduct of the meetings

1. Meetings of the board shall be validly held when more than one-half of its members are present in person or by proxy. The directors shall endeavour to ensure that absences are reduced to cases of absolute necessity.

2. When directors cannot attend personally, they may grant a proxy to any other director, for each meeting and in writing, in order that the latter shall represent them at the meeting for all purposes. A director may hold more than one proxy. The proxy shall be granted with instructions.

3. The board may hold meetings in various rooms simultaneously, provided that real-time interactivity and intercommunication amongst them, and therefore unity of action, is assured. In this case, the call to meeting shall reflect the system of connection and, if applicable, the places where the means necessary to attend and participate in the meeting are available. Resolutions shall be deemed adopted at the place where the chairmanship is located.

4. On an exceptional basis, if no director is opposed thereto, the board may hold a meeting in writing without a meeting. In this latter case, the directors may send their votes and the considerations that they desire to appear in the minutes via e-mail.

5. The chairman shall direct debate and stimulate the participation of all the directors in the meetings and deliberations of the board, safeguarding the freedom to take positions and express opinions.
6. Except in those cases in which a greater majority is specifically required under the provisions of law, the Bylaws or these rules and regulations, resolutions shall be adopted by an absolute majority of the directors present in person or by proxy. In the event of a tie, the chairman shall have the tie-breaking vote.

7. The rules set forth in the preceding paragraphs shall also be applicable to meetings of the committees of the board of directors contemplated in article 13 of these rules and regulations.

8. All resolutions adopted by the board of directors shall be recorded in minutes signed by the chairman and the secretary. Board of directors’ resolutions shall be evidenced by means of a certificate issued by the secretary of the board, or by the vice secretary, as the case may be, with the approval of the chairman or the vice chairman, as applicable.

Chapter VI. DESIGNATION, RE-ELECTION, RATIFICATION AND WITHDRAWAL OF DIRECTORS.

Article 21.- Appointment, re-election and ratification of directors. Designation of members of the committees of the board. Appointment to positions on the board of directors and its committees

1. The directors shall be designated, re-elected or ratified by the shareholders at the general shareholders’ meeting or by the board of directors, as applicable, pursuant to the provisions of the Business Corporations Act and the Bylaws.

2. The proposals for appointment, re-election and ratification of directors, regardless of the category to which they are assigned, that the board of directors submits for consideration at the general shareholders’ meeting, as well as the decisions regarding appointments that the board makes in the exercise of the powers conferred upon it by law to designate directors by interim appointment (co-option) to fill vacancies shall, in turn, be preceded by the corresponding proposal made by the appointments and remuneration committee. In the event of re-election or ratification, such proposal made by the committee shall contain an assessment of work performed and actual dedication to the position during the last period of time in which the proposed director held office. In all events, should the board disregard the proposal made by the appointments and remuneration committee, the board shall substantiate such decision and shall record the reasons therefore in the minutes.

3. For purposes of the selection of the person who is to be proposed as director, regard shall be had to the fact that such person is widely recognised for his expertise, competence and experience, and special importance shall be attached, if applicable, to the significance of his shareholding interest in the capital of the Company.
4. All persons designated as directors shall meet the requirements set forth by Law and the Bylaws, and shall formally undertake, upon taking office, to fulfil the obligations and duties prescribed therein and in these rules and regulations.

5. No age limit is herein fixed for a person to be appointed director or for a director to remain in office as such.

6. The appointments and remuneration committee shall prepare, in any event, a proposal which shall be prior to and for the purpose of the designation of the members who are to compose each of the committees of the board of directors and for the appointment to positions on the board and its committees.

7. The board shall establish a programme of information for new directors which gives them quick and sufficient information regarding the Company and its Group, including the governance rules thereof. The board shall also maintain a programme of continuous training and updating directed to the directors.

**Article 22.- Term of office**

1. One-fifth of the board shall be renewed every year, following the order established by the length of service on the board, according to the date and order of the respective appointment. This means that a director’s term of office shall be five years. Outgoing directors may be re-elected.

2. The directors who have been designated by interim appointment (co-option) to fill vacancies may be ratified in their position at the first general shareholders’ meeting that is held following such designation, in which case they shall vacate office on the date on which their predecessor would have vacated office.

3. A director who ends his term of office or, for any other reason, ceases to act as such, shall, for a term of two years, be barred from serving at a competing entity.

The board of directors, may, if it deems it appropriate, relieve the outgoing director from this restriction or reduce it to a lesser period.

**Article 23.- Withdrawal of directors**

1. Directors shall cease to hold office upon the expiration of the term of office for which they have been appointed and when it is so resolved by the shareholders at the general shareholders’ meeting in the exercise of the powers granted to them. In the first case, such withdrawal from office shall take effect on the date of the first general shareholders’ meeting following the date of expiration of the term of office for which they were appointed, or upon expiration of the statutory period for calling the general shareholders’ meeting that is to resolve on the approval of the financial statements for the prior fiscal year.
2. Directors must tender their resignation to the board of directors and formally resign from their position if the board of directors, following a report from the appointments and remuneration committee, deems it fit, in those cases in which they may adversely affect the operation of the board or the credit or reputation of the Company and, in particular, when they are involved in any of the circumstances of incompatibility or prohibition provided by law.

3. In addition, proprietary directors must submit their resignations, in the corresponding numbers, when the shareholder that they represent parts with its shareholdings or reduces them in a significant manner.

4. When a director withdraws from such director’s position, due to resignation or for other reasons, prior to the end of the director’s term, such director shall explain the reasons therefor in a letter that shall be sent to the other members of the board. Disclosure thereof shall also be made in the annual corporate governance report.

**Article 24.- Procedure to relieve or replace members of the board of directors or its committees and for the succession to positions on such bodies**

In the cases of withdrawal, announcement of renunciation or resignation, disability or death of the members of the board of directors or its committees or withdrawal, announcement of renunciation or resignation of the chairman of the board of directors or of the managing director or directors, as well as from other positions on such bodies, at the request of the chairman of the board of directors or in his absence at the request of the highest-ranking vice chairman, the appointments and remuneration committee will be convened in order for such committee to examine and organise the process of succession or replacement in an orderly manner and to present the corresponding proposal to the board of directors. Such proposal shall be communicated to the executive committee and subsequently submitted to the board of directors at the following meeting scheduled to be held by the board’s annual calendar of meetings or at such extraordinary meeting as may be called if deemed necessary.

**Article 25.- Resolutions relating to directors**

Directors affected by proposals for appointment or re-election to or withdrawal from office shall abstain from attending and participating in the debate and voting of the board of directors or of the committees thereof that deal with such matters.

**Chapter VII. INFORMATION TO DIRECTORS**

**Article 26.- Powers of information and inspection**

1. A director shall have the broadest powers to obtain information regarding any aspect of the Company, to examine the books, records, documents and other records of corporate transactions, and to inspect all of its premises and facilities. The right to
receive information also applies in respect of subsidiary companies, be they domestic or foreign.

2. In order not to disrupt the day-to-day management of the Company, the exercise of the powers of information shall be channelled through the secretary of the board of directors, who shall respond to the requests made by the director by directly providing him with the information, offering to him the appropriate parties with whom to interact at such level of the organisation as may be fit, or taking any steps that may be appropriate so that the director may carry out an on-site examination or inspection as requested by him.

3. In addition to what is stated in sub-section 6 of article 14 of these rules and regulations, any director may attend and participate but not vote at the meetings of the committees of the board of directors of which he or she is not a member, by invitation of the chairman of the board of directors and of the chairman of the respective committee, after having requested such attendance of the chairman of the board.

Article 27.- Assistance of experts

1. In order to be assisted in the performance of their duties, the directors and the audit and compliance and appointments and remuneration committees may address a request to the general secretary for the hiring of legal, accounting, financial, or other expert advisors, whose services shall be paid for by the Company.

The assignment must deal with specific issues of special significance or complexity arising during the performance of their duties.

2. The hiring decision lies with the board of directors, which may dismiss the request if the board considers:

   a) That the hiring is not necessary for the proper performance of the duties entrusted to the directors;

   b) That the cost thereof is not reasonable in the light of the significance of the issues; or

   c) That the technical assistance sought may be adequately provided by the Company’s own technical experts.

Chapter VIII. DIRECTOR COMPENSATION

Article 28.- Director compensation

1. The directors shall be entitled to receive compensation for performing the duties entrusted to them by reason of their appointment as mere members of the board of
directors by the shareholders at a general shareholders’ meeting or by the board itself exercising its power to make interim appointments (co-option) to fill vacancies.

2. The compensation referred to in the preceding paragraph shall be paid as a share in profits and bylaw-mandated compensation, and shall have two components: (a) an annual amount and (b) attendance fees. Attendance fees shall be paid in advance on account of the profits for the fiscal year.

The specific amount payable for the above-mentioned items to each of the directors shall be determined by the board of directors within the limits established in subsection 2 of article 58 of the Bylaws and after a proposal of the appointments and remuneration committee. For such purpose, the board shall take into consideration the positions held by each director on the board and their membership in and attendance at the meetings of the various committees.

3. In addition to the compensation system set forth in the preceding paragraphs, the directors shall be entitled to receive compensation by means of the delivery of shares or option rights thereon, or by any other compensation system referenced to the value of shares, provided that the application of such compensation systems is previously approved by the shareholders at a general shareholders’ meeting. Such resolution shall determine, if applicable, the number of shares to be delivered, the exercise price of the options, the value of the shares used as a reference and the duration of such compensation system.

4. Independently of the provisions of the preceding paragraphs, the directors shall also be entitled to receive such other compensation (salaries, incentives, bonuses, pensions, insurance and severance payments) as, following a proposal made by the appointments and remuneration committee and upon resolution by the board of directors, may be considered appropriate in consideration for the performance of other duties at the Company, whether they are the duties of an executive director or otherwise, other than the duties of supervision and collective decision-making that they discharge in their capacity as members of the board.

5. The Company shall maintain civil liability insurance for its directors on such terms as are customary and commensurate with the circumstances of the Company itself.

6. The board shall endeavour to ensure that director compensation meets standards of moderation and correspondence to the earnings of the Company. In particular, it shall endeavour to ensure that the compensation of external directors is sufficient to compensate them for the dedication, qualifications and responsibilities required for the performance of their duties.

Article 29.- Information on compensation

1. Report on the compensation policy
(a) The board of directors shall annually approve a report on the compensation policy which shall set forth the standards and grounds to determine the compensation of the directors for the last fiscal year and for the current fiscal year, and shall make it available to the shareholders on occasion of the call to the ordinary general shareholders’ meeting.

(b) The report shall provide an explanation of the changes in compensation to the directors for the performance of their duties of supervision and collective decision-making.

(c) The report shall also contain a separate presentation regarding the policy of compensation for executive directors for duties other than those contemplated in the preceding paragraph, which shall cover at least the following items:

(i) Changes in fixed compensation accompanied by an estimate of the approximate overall amount thereof.

(ii) Reference parameters and the basis for any short- or long-term variable compensation system (annual or multi-year bonuses or incentives).

(iii) Preliminary estimate of the absolute amount of variable compensation to which the proposed compensation plan will give rise.

(iv) Significance of variable compensation relative to fixed compensation and that of deferred variable compensation relative to total variable compensation.

(v) Standards of reference for the accrual of compensation based on the delivery of shares, stock options or compensation linked to share prices.

(vi) Main features of the benefit systems (supplemental pensions, life insurance and similar items) with an estimate of the amount thereof or equivalent annual cost.

(vii) Terms of the contracts of the executive directors (duration, prior notice periods, hiring bonuses, compensation for termination of the contract and any other terms).

Information shall also be provided regarding the compensation, if any, to be paid to the external directors for duties other than the duties of a mere director.
(d) The report shall also disclose the most significant changes in the compensation policy approved for the current fiscal year as compared to the policy applied during the prior fiscal year, and shall include an overall summary of how such compensation policy was put into effect during such fiscal year.

(e) The report shall also provide information regarding the preparatory work and the decision-making process followed to establish the director compensation policy, including the duties, the composition of the appointments and remuneration committee and, if applicable, the identity of the external advisors whose services have been used to determine the compensation policy.

(f) The report on compensation policy shall be publicly disclosed through the Company’s website no later than the date of the call to the ordinary general shareholders’ meeting.

(g) In the report regarding compensation policy made public in accordance with the provisions of the preceding paragraph, the board shall exclude those items whose disclosure might be prejudicial to the Company’s interests.

2. **Annual report**

In the annual report, the board shall set forth, on an individual basis, the compensation received by each director, specifying the amounts corresponding to each compensation item. It shall also set forth therein, on an individual basis and for each item of compensation, the compensation payable, pursuant to articles 49 and 58.4 of the Bylaws, for the performance of executive duties entrusted to the executive directors of the Company.

Furthermore, the report shall provide, in the form of a table or diagram, a comparison between the changes in aggregate compensation for all of the executive directors during the last fiscal year, differentiating those amounts received for the performance of their duties of supervision and collective decision-making as members of the board and those corresponding to other duties that they perform as members of the board, and the changes in the Group’s consolidated results and the listing price of the Company’s shares during the same period.

**Chapter IX. DUTIES OF A DIRECTOR**

**Article 30.- Duties of a director**

The director shall fulfil all the duties and obligations which are inherent in his position as such and which are provided for by Law, the Bylaws, the rules and regulations for the
general shareholders’ meeting and the rules and regulations of the board of directors, including the following:

- **Duty of diligent management.** The directors shall discharge their duties with the diligence of an orderly businessman and a faithful representative. Each of the directors shall diligently inform himself of the progress of the Company and dedicate to the position the time and effort needed to effectively carry it out. The directors shall inform the appointments and remuneration committee regarding their other professional obligations, and the maximum number of boards to which they may belong shall be governed by the provisions of Law 31/1968, of 27 July.

- **Duty of fidelity.** The directors shall comply with the duties prescribed by law and the Bylaws in furtherance of the corporate interests, these being understood to mean the interests of the Company.

- **Duty of loyalty:**

(i) The directors shall not use the name of the Company or invoke their capacity as directors thereof in order to carry out transactions for their own account or for the account of persons related to them.

(ii) No director may make, either for his own benefit or for the benefit of any persons related to him, investments or transactions of any kind related to the assets of the Company and which have come to the director’s attention during the performance of his duties as such, when the investment or transaction has been offered to the Company or the Company is interested in it, as long as the Company has not turned down such investment or transaction without the director influencing such decision. In the event that the Company has turned down such investment or transaction, the making of such investment or the performance of such transaction by the director, whether for his own benefit or for the benefit of persons related to him, shall also be subject to the approval of the board of directors, following a report from the appointments and remuneration committee.

(iii) The directors must notify the board of any direct or indirect conflict with the interests of the Company in which they may be involved. If the conflict arises from a transaction with the Company, the director shall not be allowed to conduct it unless the board, following a report from the appointments and remuneration committee, approves such transaction. In the event of conflict, the director involved shall not participate in the deliberations and decisions on the transaction to which the conflict refers. In all events, the situations of conflict in which the Company directors are involved shall be reported in the annual corporate governance report.
(iv) The directors must notify the board, as soon as possible, of those circumstances affecting them that might prejudice the credit or reputation of the Company, and particularly the criminal cases with which they are charged.

(v) The directors must disclose any interest they hold in the capital of a company engaged in a line of business which is the same as or analogous or complementary to the business that the corporate purpose consists of, as well as any offices held or duties performed therein and the conduct, for the director’s own account or for the account of another, of any kind of business that is the same as or analogous or complementary to the business that the corporate purpose of the Company consists of.

(vi) For purposes of the duty of loyalty, related parties to the directors shall be deemed to be such persons as are specified in number 5 of article 127 ter of the Business Corporations Act.

- **Duty of secrecy.** Even after vacating office, the directors shall keep secret all information of a confidential nature and shall have the duty not to disclose any information, data, reports or background information that the directors may be aware of because of the performance of their duties, which information, data or reports shall not be made known to any third parties or otherwise disseminated when this may harm the corporate interests. In the case of a legal entity serving as director, the duty of secrecy shall fall upon the representative thereof, without prejudice to compliance by the representative with the obligation to report to such legal entity. Excepted from the foregoing duty of secrecy are the events set forth in the Business Corporations Act.

- **Duty of inactivity.** The directors shall not conduct, or suggest to any person that they conduct, transactions involving securities of the Company or of the subsidiaries, affiliated or related companies in connection with which the directors have, by reason of their position as such, privileged or confidential information, so long as such information is not made public.

Finally, the directors shall be subject to such provisions of the Group’s code of conduct in the securities markets as may apply to them.

The duties of loyalty, secrecy and inactivity contemplated in this article shall also apply to the secretary and the vice secretary who are not directors.

Chapter X. **RELATIONS ESTABLISHED BY THE BOARD OF DIRECTORS**

Article 31.- **Relations with the shareholders**

1. The board of directors shall foster communication between the Company and its shareholders. Accordingly, the board shall promote the holding of meetings,
attended by a director and/or such members of senior management as are deemed appropriate, for the provision of information on the progress of the Company and its Group to shareholders residing in the most significant locations of Spain and other countries. In no event shall such meetings with shareholders entail the provision to them of any information that might place them in a privileged or advantageous position vis-à-vis the other shareholders.

2. All public requests for delegation of voting powers made by the board of directors or by any member thereof shall expressly set forth the direction in which the representative shall vote in the event that the shareholder has given no accurate instructions, subject always to the provisions of Law.

3. The board of directors shall encourage the informed participation of the shareholders at the general shareholders’ meetings and shall adopt such measures as may be appropriate to make it easier for the shareholders acting at a general shareholders’ meeting to effectively exercise the powers conferred upon them by Law and the Bylaws.

In particular, the board of directors shall make available to the shareholders, prior to the general shareholders’ meeting, all such information as may be legally required. The board, acting through the general secretary, shall respond in writing to those requests which, in the exercise of the right to receive information as contemplated by law, the shareholders may submit in writing to the board as much in advance of the general shareholders’ meeting as may be requisite.

In addition, pursuant to the rules and regulations for the general shareholders’ meeting, the board shall, by means of its chairman or, if applicable and if so decided by the chairman, by means of the chairman of the audit and compliance committee, any director, the general secretary or, if appropriate, any employee or expert in the issues, respond, when it is admissible under the provisions of Law, the Bylaws or the rules and regulations for the general shareholders’ meeting, to any questions that the shareholders may pose verbally during the course of the general shareholders’ meeting in connection with the matters included in the agenda. When it is impossible to satisfy the shareholder’s right during the course of the meeting and, in any event, in connection with requests made by remote attendees at the meeting, the requested information shall, if appropriate, be provided in writing within seven days following the end of the general shareholders’ meeting.

Furthermore, the board of directors shall maintain and make available to the shareholders an updated website of the Company, with due observance of the applicable regulations, where all such information as is required under legal or bylaw provisions or regulations may be accessed.
Article 32.- Relations with institutional investors

1. The board of directors shall also establish appropriate mechanisms for the regular exchange of information with those institutional investors that are holders of shares of the Company.

2. In no event shall the relations between the board of directors and the institutional shareholders entail the provision to them of any information that might place them in a privileged or advantageous position vis-à-vis the other shareholders.

Article 33.- Related-party transactions

1. The board of directors shall examine the transactions that the Company enters into, either directly or indirectly, with directors, with significant shareholders or those represented on the board, or with persons related thereto. Such transactions shall require the authorisation of the board, after a favourable report from the appointments and remuneration committee. Such transactions shall be evaluated in the light of the principle of equal treatment amongst all shareholders and the prevailing market conditions, and shall be contained in the annual corporate governance report and in the periodic public information, upon the terms set forth in applicable law.

2. However, the authorisation provided for in the preceding sub-section shall not be required for those transactions that simultaneously meet the following three conditions:

   1st They are carried out under contracts with basically standard terms that customarily apply to the customers contracting for the type of product or service in question.

   2nd They are performed at prices or rates generally established by the party acting as supplier of the good or service in question or, when the transactions concern goods or services for which no rates are established, they are performed under customary market conditions, similar to those applied to commercial relationships with customers having similar characteristics.

   3rd The amount thereof does not exceed 1% of the Company’s annual income.

   If the foregoing conditions are satisfied, the affected directors shall not be required to report such transactions or to preventively seek the authorisation of the board.

3. On an exceptional basis, when so advised for reasons of urgency, related-party transactions may be authorised by the executive committee, with subsequent ratification by the board.
Article 34.- Relations with the markets

1. The board of directors shall immediately inform the public regarding:
   a) All significant facts that might materially influence the stock exchange price of the Company shares.
   b) All significant changes in the shareholding structure of the Company.
   c) All substantial amendments to the rules of governance of the Company.
   d) All related party transactions of particular importance made with the members of the board.
   e) All treasury stock transactions of particular importance.

2. The board of directors shall adopt any required measures to ensure that the quarterly, semi-annual, and any other financial information that is made available to the markets is prepared in accordance with the same principles, standards and professional practices used to prepare the annual financial statements and is as reliable as such financial statements. For this latter purpose, such information shall be reviewed by the audit and compliance committee before dissemination thereof.

3. The board of directors shall prepare and make public, on an annual basis, a corporate governance report, pursuant to the provisions of Law.

4. The following information regarding the directors shall be publicly disclosed and kept current on the Company’s website:
   a) Professional and biographical profile.
   b) Other boards of directors to which they belong.
   c) An indication of the category of director to which they belong, and in the case of external proprietary directors, the shareholder that they represent or with which they are connected.
   d) Dates of their first appointment as director and subsequent appointments.
   e) Shares of the Company and options thereon that they hold.

Article 35.- Relations with the auditor

1. All relations between the board of directors and the auditor shall be channelled through the audit and compliance committee.
Notwithstanding the foregoing, the auditor shall attend the meetings of the board of directors twice a year in order to submit its report and permit all the directors to have access to as much information as possible regarding the content and conclusions of the auditor’s reports relating to the Company and the Group.

2. The board of directors shall not hire audit firms in which the fees intended to be paid to them, for any and all services, are equal to more than two per cent of the total income thereof during the last fiscal year.

3. No services shall be contracted with the audit firm, other than proper audit services, which might risk the independence of such firm.

4. The board of directors shall make public the overall amount of fees paid by the Company to the audit firm for services other than auditing.

5. The board of directors shall use its best efforts to prepare the financial statements such that there is no room for comments by the auditor. However, when the board believes that its opinion must prevail, it shall provide a public explanation, through the chairman of the audit and compliance committee, of the content and scope of the discrepancy, and shall also endeavour to ensure that the auditor likewise discloses its considerations in this regard.

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