



**ENDESA, S.A. BOARD OF DIRECTORS REGULATIONS**

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## **ENDESA, S.A. BOARD OF DIRECTORS REGULATIONS**

### **PRELIMINARY PROVISION**

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

These Regulations set forth specific measures aimed at ensuring optimal administration of the Company with the end goal of regulating the duties, organization and operation of the Board of Directors, in accordance with law and the Corporate Bylaws.

#### **Article 2. Scope of Application**

- 2.1 These Regulations shall apply to the Board of Directors and its delegated bodies, internal committees and Directors who, as members of the Board, form part of the will of said body. The Directors have a duty to be apprised of, as well as to comply and enforce compliance with, these Regulations.
- 2.2 The Board shall adopt the necessary measures to ensure widespread dissemination of these Regulations. For these purposes, these Regulations shall be notified to the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores - "CNMV"*), published on the Company's website, registered with the Mercantile Registry and reported to the General Shareholders' Meeting.

#### **Article 3. Interpretation**

- 3.1 These Regulations supplement and are ancillary to the provisions established for the Board by the Corporate Bylaws.
- 3.2 The Board shall have the power to resolve any questions which may arise in the interpretation or application hereof, in accordance with all applicable legal and Bylaw provisions, as well as with best corporate governance practices.

#### **Article 4. Amendments**

- 4.1 The Board may amend these Regulations subject to the requirements set forth in this Article.
- 4.2 Such amendments may be proposed by the Chairman, by one third of the Board members, by the Appointments and Compensation Committee, by the Audit and Compliance Committee or the Sustainability and Governance Committee, when, in their opinion, circumstances which render said amendment convenient or necessary exist. For this purpose, the proposed amendment shall be accompanied by a report providing the reasons for and scope of the amendment sought.

In such case, the Board meeting shall be called by individual notice made sufficiently in advance to each Board member. Said notice shall be accompanied by the report justifying the proposed amendment.

- 4.3 Any amendment to the Regulations shall require a resolution adopted by the majority of the members of the Board.
- 4.4 The Board of Directors shall report on any amendments approved at the next General Shareholders' Meeting.

## **TITLE I GENERAL DUTIES, POWERS AND PRINCIPLES OF ACTION OF THE BOARD OF DIRECTORS**

### **Article 5. Principles of Action**

The Board of Directors shall perform its duties with unity of purpose and independent judgment, providing equal treatment to all Company shareholders in the same situation, and shall be guided by the best interests of the Company, which shall be understood as developing a profitable business that can be sustained in the long term, promoting the viability of the Company and maximizing its financial value. In pursuing the corporate interests, the Board shall, in addition to abiding by laws and regulations, following good faith and ethical principles and observing commonly accepted customs and good practices, aim to reconcile the corporate interests with, as applicable, the legitimate interests of its employees, suppliers, clients and other interest groups that may be affected, as well as with the impact of the Company's activities on the community as a whole and sustainable environment.

### **Article 6. General Duties and Powers of the Board of Directors**

6.1 The Board of Directors is the highest governing body representing the Company, as provided by law and the Corporate Bylaws.

6.2 The Board of Directors, who shall have the broadest power and authority to manage, direct, administer and represent the Company, shall, as a general rule, delegate the day-to-day management of the Company to delegated management bodies and shall focus its activity on supervising and discussing matters that are particularly important for the Company and its group of companies.

6.3 The Board shall also be responsible for establishing the basis for proper and efficient coordination between the Company and other companies within its group, which are subsidiaries of the Company in accordance with law, respecting in all cases the independence of their managing bodies and executives to make decisions in accordance with the Company's own interests as well as with the interests of said group companies.

6.4 In particular, the Board of Directors is responsible for:

6.4.1 In relation to the General Shareholders' Meeting:

- A) Calling the General Shareholders' Meeting, establishing the agenda for the meeting and drafting the relevant proposed resolutions.
- B) Proposing amendments to the Corporate Bylaws and the General Shareholders' Meeting Regulations to the General Shareholders' Meeting.
- C) Submitting the acquisition, disposal or transfer of essential assets to another company to the General Shareholders' Meeting.
- D) Executing resolutions passed by the General Shareholders' Meeting.

6.4.2 In relation to the Company's general policies and strategies, and the specific regulations of the Committees of the Board of Directors, the Board is responsible for:

- A) Approving a strategic or business plan that should include an action plan for climate change, including a target for the reduction of greenhouse gases, the management objectives, the annual budgets, the investment and financing policies for the Company and its group, as well as the basic lines of the general strategy.

- B) Approving the definition of the structure of the Company Group.
- C) Establishing the policy for reporting to and communicating with shareholders, the markets and public opinion, through any existing technological and communication means, as well as the general policy for reporting economic and financial, non-financial and corporate information.
- D) Overseeing commercial, industrial or financial agreements of strategic importance.
- E) Establishing the corporate governance policy for the Company and its group.
- F) Approving, as the case may be, the specific regulations of the Board Committees.
- G) Approving the sustainability policy and the sustainability plan or strategy, as well as those applicable to the environment and climate change.
- H) Establishing a risk management and control policy, including as regards tax and climate-change risks, and monitoring internal reporting and control systems.
- I) Approving both the dividend and treasury stock policies pursuant to the guidelines and limits established by the General Shareholders' Meeting.
- J) Approving, at the proposal of the Appointments and Compensation Committee, a director selection policy that promotes an appropriate composition of the Board of Directors.

6.4.3. In relation to management, the Board is responsible for:

- A) Establishing the general organizational principles of the Company and its group.
- B) Ensuring transparency regarding the Company's relationships with third parties, in accordance with the provisions of these Regulations.
- C) Performing the duties entrusted to the Board by the General Shareholders' Meeting, which may only be delegated if the resolution of the Shareholders' Meeting expressly so provides.
- D) Resolving on the incorporation of new companies or taking up of holdings in existing companies which, due to their amount or nature, are relevant for the Company, as well as on mergers, absorptions, spin-offs or concentrations in which the Company has an interest.
- E) Approving investments and divestments or transactions of any kind that, due to their high amount or specific characteristics, are considered strategic or that pose particular tax risks, unless approval thereof is entrusted to the General Shareholders' Meeting.
- F) Establishing the Company's tax strategy.
- G) Approving, following a report from the Audit and Compliance Committee, the creation or acquisition of stakes in special purpose vehicles or organizations registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, may detract from the transparency of the Company or its group.

- H) Establishing general rules that regulate real estate transactions not related to industrial investments and divestments, approving the most relevant transactions.
- I) Establishing general rules that regulate financial transactions, approving the most relevant transactions.
- J) Approving the assignment of rights to the tradename and trademarks.
- K) Monitoring commitments under employee welfare arrangements that entail long-term financial liabilities for the Company.
- L) Authorizing the proposed appointment of directors in the most important directly held companies, or which are stable and of particular economic importance, as well as to apprise themselves of appointments made in the most important indirectly held companies.
- M) Regulating the procurement policy for assets, works and services of the Company.
- N) To approve the implementation or amendment of an Internal Protection System for Informants, through a policy setting out the general principles of the System's operation and of the protection of informants and a procedure for managing reports received as well as the appointment or replacement of the head of the Internal Protection System for Informants.

6.4.4. In relation to organization and operation, the Board is responsible for:

- A) Delegating duties to, as the case may be, the Chairman, the Managing Director or the Executive Committee and, on an exceptional basis, to the Committees as provided for herein.
- B) Monitoring the operation of the Executive Committee, as the case may be, as well as the actions of other delegated bodies.
- C) Waiving the Directors' obligations arising under the duty of loyalty in the terms provided for by law, except when the General Shareholders' Meeting has competency over said waiver.
- D) Approving or submitting for approval to the General Shareholders' Meeting, following a report from the Audit and Compliance Committee, any transactions carried out by the Company and its group companies with directors, senior executives and shareholders in possession of 10% or more of the voting rights or represented in the Board of Directors, or with parties related thereto, under the terms provided by law.

The Board of Directors may delegate the approval of some of these transactions, as per the legal provisions.

- E) Following a report from the Appointments and Compensation Committee, appointing and removing the Chairman and the Vice Chairmen of the Board and the Managing Director, as well as, at the Chairman's proposal and following a report from the Appointments and Compensation Committee, the Secretary and, as the case may be, the Vice Secretary of the Board.

6.4.5. In relation to financial and non-financial information, Annual Financial Statements, the management report and the annual corporate governance report:

- A) The Board of Directors shall be responsible for, following a report from the Audit and Compliance Committee, approving the financial and non-financial information that the Company, due to its status as a listed company, is required to periodically make public.
- B) Following a report from the Audit and Compliance Committee, the Board shall draw up the individual and consolidated annual financial statements and management reports in clear and precise terms so as to facilitate a proper understanding of their contents, which shall be submitted to the General Shareholders' Meeting. The Board shall ensure that they present a true and fair view of the equity, financial position, and performance of the Company, pursuant to the provisions of law.
- C) Before approving the preparation of the annual financial statements as required by law, all Directors shall have the necessary information for doing so and may, if appropriate, express such reservations as they deem appropriate.
- D) The Board of Directors shall approve and release an annual Corporate Governance Report in such terms as may be established by statute or regulations.

6.4.6 In relation to the Directors and Senior Executives, the latter defined, for the purposes of these Regulations, as any Executives that report directly to the Board of Directors or to any Director, as well as the Internal Audit Manager and any other executive deemed by the Board to be a Senior Executive:

- A) Monitoring and assessing the performance of Senior Executives.
- B) Approving, at the proposal of the Managing Director and following a report from the Appointments and Compensation Committee, the establishment and amendment of the Company's higher-level management structure.
- C) Approving, at the proposal of the Managing Director, the appointment and removal of Senior Executives, following a report from the Appointments and Compensation Committee.

Notwithstanding the foregoing, the Audit and Compliance Committee shall propose the appointment, reappointment or removal of the head of the internal auditing services.

- D) Approving, at the proposal of the Managing Director, the establishment of the basic contracting conditions for Senior Executives, including as regards compensation, following a report from the Appointments and Compensation Committee.
- E) Following a report or proposal from the Appointments and Compensation Committee, making interim appointments of Directors to fill vacancies until the next General Shareholders' Meeting.
- F) Appointing and removing Directors as members of the Appointments and Compensation Committee.
- G) Appointing and removing Directors, at the proposal of the Appointments and



Compensation Committee, as members of the Audit and Compliance Committee, the Sustainability and Governance Committee and, as the case may be, the Executive Committee.

- H) Approving the appointment and removal of the Company's Managing Director following a proposal by the Chairman of the Board of Directors and a report from the Appointments and Compensation Committee.
- I) Approving agreements between the Company and Board members that have been appointed as managing directors or to whom executive duties were otherwise entrusted.
- J) Following a report from the Appointments and Compensation Committee, approving the Succession Plan for the Chairman of the Board of Directors and for the Managing Director, establishing the basic terms for initiating the contingency plans or implementing the relevant succession in an organized manner.

6.5 On an annual basis, the Board of Directors shall assess, in coordination with the Appointments and Compensation Committee:

- A) The quality and efficiency of the functioning of the Board.
- B) Performance of the duties of the Chairman of the Board and the Managing Director.
- C) The operation and composition of its Committees and of the Executive Committee, as the case may be.

The Board of Directors shall implement, at the proposal of the Appointments and Compensation Committee and based on the results of the assessment, an action plan to correct any identified deficiencies. The results shall be included in the meeting minutes or as an attachment thereto.

On a general basis, every three years, the Board of Directors shall be assisted in carrying out an assessment by an external consultant, the independence of which shall be verified by the Appointments and Compensation Committee.

6.6 The Board of Directors shall issue Regulations governing related-party transactions, subject to the applicable legal provisions.

6.7 The powers set forth in the preceding paragraphs relating to the duties of the Board are included without limitation, for illustrative purposes.

The Board of Directors may approve rules, policies and manuals that implement and coordinate the exercise of these powers.

6.8 In the event of a duly justified emergency, and as permitted by law, delegated bodies or individuals may adopt resolutions related to the matters referred to in the preceding paragraphs of this article, which shall be ratified by the next Board of Directors meeting.

## **TITLE II COMPOSITION OF THE BOARD OF DIRECTORS**

### **Article 7. Number of Directors**

The Board of Directors shall be made up of a minimum of nine members and a maximum of fifteen.

### **Article 8. Types of Directors**

Directors shall be classified as:

- A) Executive Directors: Those Directors that perform senior management duties in the Company or its group, regardless of the Director's legal relationship with the Company, shall be considered executive directors.
- B) External Shareholder-Appointed Directors: Those Directors with a shareholding greater than or equal to that legally regarded as significant, or who have been appointed due to their status as shareholders, even if the shareholding does not reach said amount, or who represent a shareholder that meets the aforementioned criteria, shall be considered external shareholder-appointed directors.
- C) External Independent Directors: Those Directors who, having been appointed based on their personal and professional qualities, are able to perform their duties regardless of their relations with the Company or its group, its significant shareholders or its executives shall be considered external independent directors. The following directors may not be considered independent directors: directors who were employees or executive directors of group companies, unless 3 or 5 years, respectively, have passed since said director ceased to hold such position; directors who have served as a director for more than 12 consecutive years; any directors who fall in any of the relevant situations provided for said purpose by law.
- D) Other External Directors: Those Directors who are not executive directors and who do not meet the requirements to be considered a shareholder-appointed or independent director shall be considered other external directors.

## **TITLE III APPOINTMENT AND REMOVAL OF DIRECTORS**

### **Article 9. Selection, Appointment, Ratification and Reappointment of Directors**

- 9.1 The Board of Directors, at the proposal of the Appointments and Compensation Committee, shall approve a specific and attestable policy for selecting candidates for the office of director, ensuring that the proposed appointments of directors are based on a previous analysis of the needs of the Board, and which favors a diversity of knowledge, experiences, age and gender.
- 9.2 Proposals for the appointment, ratification or reappointment of Directors made by the Board shall be made with regard to renowned persons who have the relevant experience and professional knowledge to perform their duties and who assume a commitment of sufficient dedication for the performance of the tasks inherent therein.

9.3 The General Shareholders' Meeting or, as the case may be, the Board shall be responsible for appointing Board members in accordance with the provisions set forth in the Spanish Capital Corporations Law (*Ley de Sociedades de Capital*) and the Corporate Bylaws. The position of Director may be renounced, revoked and reappointed, notwithstanding the provisions of article 13.4.

9.4 Proposals for the appointment, ratification or reappointment of Directors made by the Board of Directors to the General Shareholders' Meeting, or as approved by the Board of Directors itself in the case of proposals for appointment, shall be made at the proposal of the Appointments and Compensation Committee, in the case of Independent Directors, and following a report by said Committee for all other types of Directors.

#### **Article 10. Incompatibilities**

Those persons subject to the prohibitions provided by the Spanish Capital Corporations Law and other applicable legal provisions may not be appointed as directors.

Furthermore, any of the following individuals may not serve as directors of the Company: (i) anyone who, during two years prior to his/her potential appointment, held a senior management position in any Spanish government agency that is incompatible with the performance of the duties of Director, in accordance with legislation in force; or (ii) anyone who sits on more than four boards of directors of listed companies, other than Endesa, S.A., or on eight boards in total (including listed and unlisted companies). Membership on several boards of directors for companies within the same group shall, for these purposes, count as one board for each group of companies. In addition, for these purposes, any board of directors on which the Director sits shall not count when said board is that of a company that may submit abridged balance sheets and statements of changes in net equity or which is a holding company or a mere financial vehicle corporation.

#### **Article 11. Term of Office**

The Directors shall serve in their positions for a term of four years and may be reappointed for periods of the same duration.

#### **Article 12. Removal of Directors**

12.1 Directors shall cease to hold office when the period for which they were appointed has elapsed.

12.2 Directors must tender their resignations to the Board when:

- A) they are involved in any circumstance of incompatibility or prohibition provided by law, the Corporate Bylaws or these Regulations;
- B) any shareholder represented by the director fully transfers or decreases his/her shareholding. In this last case, the number of shareholder-appointed directors shall be reduced accordingly;
- C) or if they are affected by any other situations, whether or not related to their actions in the Company, that could seriously impair the Company's image or reputation.

- 12.3 The Board of Directors shall not propose the dismissal of any independent director to the General Meeting before the completion of the term of office for which the member was appointed in accordance with the Bylaws, unless just cause is identified by the Board of Directors, at the proposal of the Appointments and Compensation Committee. In particular, just cause shall be deemed to exist when the director is appointed to new positions or undertakes new obligations that prevent said director from dedicating the time required to perform the duties inherent in its position as a director, or significantly breaches such duties.
- 12.4 If a Director ceases in his/her position before the end of his/her term of office, whether by resignation or by resolution of the General Shareholders' Meeting, the Director shall send a letter to the Board members sufficiently explaining the reasons for such resignation or, in the case of non-executive directors, explaining his/her opinion on the reasons for his/her removal by the General Meeting. Notwithstanding the reporting of said removal to the Spanish Securities Market Commission, insofar as it is relevant to the investors, the reason for removal shall be provided in the Annual Corporate Governance Report, including sufficient references to the reasons provided by the Director.

#### **TITLE IV OFFICES OF THE BOARD**

##### **Article 13. Chairman and Vice Chairmen of the Board of Directors**

- 13.1 The Board shall elect from among its members, following a report from the Appointments and Compensation Committee, a Chairman who, in addition to representing the Company at an institutional level, shall lead the Company's governance actions, paying particular attention to the corporate strategy, and shall be responsible for the management of the Board.
- 13.2 The Chairman shall, as the case may be, chair the Executive Committee, hold institutional representation in accordance with the Corporate Bylaws, and, in any voting, shall have the casting vote.
- 13.3 The Chairman shall be responsible for the effective operation of the Board and, thus, shall: ensure that the directors receive sufficient information duly in advance; organize the debate and promote the active participation of the directors during the Board meetings, protecting their freedom to adopt positions and express their opinions; ensure that enough time is spent discussing strategic matters; organize and coordinate with the Chairmen of the Committees regarding the annual assessment of the Board, its Commissions and Committees, and of the Managing Director; resolve upon and review programs aimed at providing each director with up-to-date information, as required by the circumstances.
- 13.4 The Chairman of the Board shall not hold office for more than twelve years from the date of his/her initial appointment as Director.
- 13.5 The Board may select one or more Vice-Chairmen, following a report from the Appointments and Compensation Committee. The oldest Vice Chairman, if there is more than one, shall substitute the Chairman in all his powers in the event of a vacancy, or of his absence or illness.
- 13.6 If there are no Vice Chairmen, the Coordinating Director, if any, shall perform the

Chairman's duties to preside over the Board and the oldest Director shall exercise all other powers of the Chairman.

#### **Article 14. Coordinating Director**

The Board of Directors may, with all executive directors abstaining and at the proposal of the Appointments and Compensation Committee, appoint a Coordinating Director from among the independent directors, who shall be specifically empowered to:

- A) call a meeting of the Board of Directors or include new items on the agenda for any Board meeting that has already been called;
- B) coordinate and call meetings of non-executive directors;
- C) lead the regular assessment of the Chairman of the Board of Directors;
- D) preside over the Board of Directors in the absence of the Chairman and Vice Chairmen, if any, under the terms of the preceding article;
- E) voice the concerns of the non-executive directors;
- F) maintain contact with investors and shareholders to learn about their points of view in order to form an opinion on their concerns, in particular, in relation to the Company's corporate governance; and
- G) coordinate the succession plan for the Chairman of the Board of Directors.

#### **Article 15. Managing Director**

15.1 The Board, at the proposal of the Chairman and following a report from the Appointments and Compensation Committee, shall appoint a Managing Director, who shall be responsible for managing the Company, in accordance with the powers delegated by the Board of Directors.

15.2 The Managing Director shall, as the highest responsible person for the management of the Company, be in charge of managing all of the Company's services and shall lead Senior Management, notwithstanding the powers of the Board of Directors.

15.3 The Managing Director shall also be responsible for implementing the Company's general strategy and lines of business, as well as for overseeing and monitoring relations between the Company and its investees.

15.4 In the event of a vacancy, or absence or illness, of the Managing Director, the duties and responsibilities thereof shall be temporarily assumed by the Chairman, who shall urgently resolve upon, together with the necessary corporate bodies, the delegation of duties and responsibilities to any Director or members of Senior Management as he/she deems appropriate.

#### **Article 16. Secretary and Vice Secretary of the Board of Directors**

16.1 Following a report from the Appointments and Compensation Committee, the Board shall, at the proposal of the Chairman, appoint a Secretary and, as the case may be,

a Vice Secretary, who shall have a law degree.

16.2 The Vice Secretary shall replace the Secretary in the event of a vacancy or absence. If neither the Secretary nor the Vice Secretary is in attendance, the youngest Director attending the meeting shall substitute them.

16.3 In addition to those duties designated by law and the Corporate Bylaws, the Board Secretary shall also have the following duties:

- A) To keep custody of the corporate documents, duly record the proceedings of meetings in the minutes and certify the resolutions passed by the corporate bodies.
- B) To generally act as a channel between the Company and the Directors in all matters relating to the operation of the Board, in accordance with the Chairman's instructions.
- C) To deal with all requests from the Directors regarding information and documentation on matters that fall under the competence of the Board.
- D) To assist the Chairman to ensure that Directors receive the relevant information, sufficiently in advance and in the proper format, for the performance of their duties.
- E) To ensure compliance with corporate governance principles and rules and with the provisions of the Company's Bylaws and Regulations and, in particular, to ensure that the Board's actions:
  - 1. Comply with applicable regulations.
  - 2. Adhere to the Corporate Bylaws, Regulations and other internal regulations.
  - 3. Take into account good governance guidelines set forth in the Corporate Governance Code for listed companies issued by the CNMV, as applicable to the Company.

Notwithstanding the requirement to report to the Board Chairman, the Secretary has the right to act independently to professionally perform the duties set forth in the preceding paragraphs.

16.4 The Secretary to the Board of Directors, who shall also serve as such for the various Committees and, as the case may be, the Executive Committee, may also hold office as legal counsel to the corporate bodies and as General Secretary, for which office the Secretary shall report to the Managing Director, assisting with the integration, coordination and consolidation of the Company and its lines of business.

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

### **Article 17. Meetings**

17.1 The Board shall meet at least ten times per year, with at least one session during each calendar quarter, following a meeting schedule to be established at the beginning of each fiscal year. The schedule may be amended by resolution of the Board or by decision of the Chairman, who shall provide the other directors notice of

said amendment duly in advance.

- 17.2 The regular Board Meetings shall address general matters relating to the performance of the Company and to the items on the agenda. At these regular meetings, the Board shall receive information on the most significant business management matters, as well as on any situations foreseeably critical to the Company and on any actions proposed, as the case may be, by Senior Management with a view to addressing such issues.

#### **Article 17 bis. Meeting Venue**

- 17 bis.1. Board Meetings shall normally be held at the registered office of the Company, but may be held at such other place as directed by the Chairman and stated in the meeting notice, in accordance with the provisions of the Company's Bylaws.
- 17 bis.2 As deemed appropriate by the Chairman, the Board may meet remotely with all or some of its members and the Secretary using videoconferencing, conference calls, or any other means of distance communication, provided there is interactivity and intercommunication in real time, thereby guaranteeing simultaneity of developments. In such case, the meeting notice and minutes shall indicate, as the case may be, the connection system. The resolutions shall be considered passed at the registered offices.

#### **Article 18. Meeting Notices**

- 18.1 The Chairman shall call the Board to meet based on the meeting schedule and, in any case, may convene the Board as many times as deemed appropriate, as well as when requested by at least two Directors or, if any, by the Coordinating Director.
- 18.2 The call to meeting of the Board shall be made with the required notice, at least 48 hours before the date set for the meeting, via post, e-mail or any other means of distance communication, to each of the directors and shall include the agenda, clearly identifying the items on which the Board of Directors shall make a decision or adopt a resolution so that the directors may study or gather, in advance, the information required to make such decisions.
- 18.3 The Chairman may, in urgent circumstances, call a Board Meeting by any of these means, as well as by telephone, without giving the minimum prior notice set forth in the preceding paragraph. A majority of those in attendance shall verify the urgent circumstances before the Meeting begins.

#### **Article 19. Agenda**

The agenda for all Board meetings shall be set by the Chairman, and in any case shall include those items as requested by the Coordinating Director. Furthermore, each director may individually propose other agenda items not initially included, provided the request is made at least two days before the relevant Board meeting is held.

The prior and express consent of a majority of the Directors in attendance shall be required and duly recorded in the minutes, if, once the meeting is already in session, the Chairman wishes, on an exceptional and emergency basis, to propose decisions or resolutions that were not listed on the agenda to the Board of Directors.

#### **Article 20. Assembly, Proxies and Adoption of Resolutions**

- 20.1 The Board of Directors shall be validly assembled when a majority of the Members

are in attendance at the meeting, in person or by proxy.

- 20.2 Each Director may grant a proxy to another member of the Board of Directors. Proxies shall be granted in writing and specifically for each Board Meeting. No director may hold more than three proxies, with the exception of the Chairman, to whom this limit shall not apply, although he/she may not represent the majority of the Board of Directors. Non-Executive Directors may only delegate their proxy to another non-executive.
- 20.3 Resolutions shall be adopted with the favorable vote of the absolute majority of the Directors attending the meeting, in person or by proxy, excluding in those cases where a different majority is provided by law. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.
- 20.4 Resolutions may be adopted in writing in lieu of a meeting, subject to compliance with the requirements set forth in commercial legislation.

## **TITLE VI COMMITTEES OF THE BOARD OF DIRECTORS**

### **Article 21. Executive Committee and Committees of the Board of Directors**

- 21.1 The Board of Directors shall establish, in accordance with the applicable legal provisions, an Audit and Compliance Committee and an Appointments and Compensation Committee.
- 21.2 Furthermore, the Board of Directors shall establish a Sustainability and Governance Committee, and may establish any other Committees or Commissions which are necessary or deemed appropriate for the best performance of its duties.
- 21.3 In accordance with the provisions of law and the bylaws, the general system for the organization, operation and duties of the different Commissions or Committees shall be established in their own Regulations, as approved by the Board of Directors.
- 21.4 The Board Committees and, as the case may be, the Executive Committee, shall be governed on an ancillary basis, to the extent compatible with the nature thereof, by the governing regulations set forth in the Bylaws and these Regulations in relation to the Board of Directors.

### **Article 22. Executive Committee**

- 22.1 The Executive Committee, if any, shall consist of a minimum of five and a maximum of seven Directors, including the Chairman and the Managing Director. At least two of its members shall be non-executive directors and at least one shall be an independent director.
- 22.2 The Chairman of the Board of Directors shall chair the Executive Committee and the Secretary of the Board shall also act as Secretary for the Executive Committee. These positions shall be substituted in accordance with the regime set forth for the Board of Directors.
- 22.3 The Executive Committee shall have the power to adopt resolutions related to the powers delegated thereto by the Board as well as all other resolutions which, in



urgent circumstances, may need to be adopted.

- 22.4 Members of the Executive Committee shall be appointed following a report by the Appointments and Compensation Committee and shall require the favorable vote of at least two thirds of the Board members.
- 22.5 Executive Committee resolutions related to matters for which the Board has delegated powers thereto shall be binding as of the date they are adopted. However, in cases where, in the opinion of the Chairman or of the majority of the members of the Executive Committee, the importance of the matter so requires, the resolutions of the Executive Committee shall be submitted to the Board for subsequent ratification.
- 22.6 The Secretary of the Board, who shall also serve as the Executive Committee Secretary, shall draft minutes for the resolutions adopted, notifying the Board thereof. The minutes shall be made available to all members of the Board of Directors.

### **Article 23. Audit and Compliance Committee**

- 23.1 The Audit and Compliance Committee shall be comprised of a minimum of three and a maximum of six members of the Board of Directors, appointed at the proposal of the Appointments and Compensation Committee and with the favorable vote of the majority of the Board itself. The Committee shall be exclusively comprised of non-executive directors, the majority of which shall be independent directors.

The members of the Audit and Compliance Committee shall serve in their positions for a term of four years and may be reappointed for periods of the same duration.

The Board of Directors shall aim to appoint members to the Audit and Compliance Committee such that the members as a whole have knowledge and experience in financial and non-financial accounting, auditing, finances, internal control and risk management.

The members of the Committee shall collectively have the relevant technical expertise in relation to the electricity and gas industries in which the Company operates.

- 23.2 The Chairman of the Audit and Compliance Committee shall be appointed by the Board of Directors from among the independent directors sitting on the Committee, with the favorable vote of the majority of the Board itself, and taking into account their knowledge and experience in financial and non-financial accounting, auditing and risk management. The Chairman shall be replaced every four years but may be reappointed one year after removal thereof has lapsed.
- 23.3 The Audit and Compliance Committee shall meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. The Audit and Compliance Committee shall pass resolutions in accordance with the Audit and Compliance Committee Regulations, and its meetings shall be held at the registered offices or such other location as may be determined by the Chairman and stated in the meeting notice. Committee meetings shall be validly assembled when the majority of its members are in attendance, in person or by proxy.

- 23.4 Resolutions must be passed by a majority vote of the Directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.
- 23.5 The Audit and Compliance Committee may seek external advice as deemed necessary thereby for the performance of its duties.
- 23.6 The Board Secretary shall serve as the Secretary of the Committee, who shall draft minutes for all meetings and resolutions passed, which shall be reported to the Board. The minutes shall be made available to all members of the Board of Directors.
- 23.7 The primary duty of this Committee shall be to advise the Board of Directors and to monitor and oversee the independence of the statutory auditor, the effectiveness of internal control and risk management mechanisms, and the processes for drafting and presenting financial and non-financial information, as well as to report to the Board of Directors or the General Shareholders' Meeting on related-party transactions and, as the case may be, shall also have the following duties:
- A) To report to the General Shareholders' Meeting regarding any matters arising under the responsibility of the Committee and, in particular, regarding audit results, explaining how the audit has contributed to the comprehensiveness of the financial information and what role the Committee played in this process.
  - B) To monitor the effectiveness of the Company's internal controls and risk management systems, including as regards tax risks, as well as to discuss any significant weaknesses in the internal control system detected during the audit, without undermining its independence. For such purpose, and as the case may be, recommendations or proposals, including the periods established for compliance therewith, may be submitted to the governing body.
  - C) To monitor the preparation and presentation of financial information as well as the management report which will include, when appropriate, all required non-financial information and to present recommendations or proposals to the governing body aimed at safeguarding the integrity thereof.
  - D) To monitor the internal auditing services in accordance with the provisions of the Audit and Compliance Committee Regulations.
  - E) To refer proposals to the Board for the selection, appointment, reappointment and replacement of the external auditor, taking responsibility for the selection process, in accordance with the provisions of applicable regulations, as well as for their terms of engagement.
  - F) To regularly receive information from the external auditor regarding the audit plan and the results of the execution thereof.
  - G) To ensure the independence of the external auditor in accordance with the provisions of law, the Corporate Bylaws, these Regulations and the Audit and Compliance Committee Regulations
1. The Committee shall ensure that the quality of the services provided by, and the independence of, the external auditor are not compromised by the compensation provided thereto; establish the relevant relationships with the external auditor in order to receive information on all matters which may

threaten their independence, for review by the Committee, as well as on any other matters related to the auditing of the accounts; and, as applicable, shall approve any services other than those services prohibited under the terms set forth in applicable regulations on the independence of auditors, including all communications as provided for by statutory auditing legislation and standards. In any case, the Committee shall receive an annual statement from the External Auditors on their independence in relation to the company or any of its directly or indirectly related entities, including detailed and itemized information on additional services of any nature that were provided together with the applicable fees received from such entities by either the External Auditor or other persons or entities related thereto, in accordance with the applicable regulations governing statutory auditing.

2. The Audit and Compliance Committee shall, before the auditors' report is published, issue an annual report expressing an opinion on whether the independence of the statutory auditors or audit firms has been compromised. This report shall, in any case, include a justified assessment of the additional services referred to in the preceding paragraph, accounted for both on a stand-alone and collective basis, which were provided apart from the legal auditing and in relation to independence requirements or regulations governing statutory audit activities.

The foregoing provisions shall be interpreted notwithstanding any statutory audit regulations.

3. The Audit and Compliance Committee shall verify that the Company has reported the change in external auditor to the CNMV.
  4. If the external auditor resigns, the Audit and Compliance Committee shall consider the circumstances that led to said resignation.
- H) To encourage the group's external auditor to accept responsibility for auditing all companies within the group.
  - I) To receive information on structural and corporate transactions of strategic interest which the Company intends to perform in order to analyze such transactions and report to the Board of Directors regarding the financial terms, alignment with corporate interests and accounting impact thereof.
  - J) To notify the Board of Directors of any proposed amendments to the Company Code of Ethics and to monitor compliance therewith.
  - K) To report to the Board of Directors on the most relevant tax issues as well as on compliance with the provisions of the Code of Good Tax Practices.
  - L) To provide the Board of Directors with advance notice regarding all matters provided for by law, the Corporate Bylaws, these Regulations and the Audit and Compliance Committee Regulations.

These duties shall be deemed to be without limitation and notwithstanding such other duties as may be set forth in the Audit and Compliance Committee Regulations or applicable law, or as entrusted to the Committee by the Board of Directors.

- 23.8 The Audit and Compliance Committee may call a meeting with any employee or executive of the Company, including to require that they appear without the

attendance of any other executives. This duty shall be exercised, by prior invitation of the Chairman, through the Secretary of the Board of Directors.

23.9 The Audit and Compliance Committee shall notify the Board before it passes any resolution on the following matters:

A) The financial and non-financial information required to be made public on a regular basis due to the Company's status as a listed company. The creation or acquisition of stakes in special purpose vehicles or organizations registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, may detract from the transparency of the group.

B) Related-party transactions, in the terms governed by the Board of Directors.

#### **Article 24. Appointments and Compensation Committee**

24.1 The Appointments and Compensation Committee shall be comprised of a minimum of three and a maximum of six Non-Executive Directors from the Board of Directors, appointed with the favorable vote of the majority of the Board itself, and the majority of whom shall be Independent Directors.

The members of the Appointments and Compensation Committee shall serve in their positions for a term of four years and may be reappointed for periods of the same duration.

The Board of Directors shall aim to appoint members to the Appointments and Compensation Committee based on their knowledge, skills and experience.

24.2 The Chairman of the Appointments and Compensation Committee shall be appointed by the Board of Directors, by a favorable vote of the majority thereof, from among the Independent Directors on the Committee.

24.3 The Appointments and Compensation Committee shall meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings shall take place at the Company's registered offices or at such other location as may be determined by the Chairman and stated in the meeting notice. Committee meetings shall be validly assembled when the majority of its members are in attendance, in person or by proxy.

24.4 Resolutions shall be adopted by the favorable vote of the majority of the directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.

24.5 The Appointments and Compensation Committee may seek external advice when it deems necessary for the performance of its duties.

24.6 The Board Secretary shall serve as the Secretary of the Committee, who shall draft minutes for all resolutions adopted, which shall be reported to the Board. The minutes shall be made available to all members of the Board of Directors.

24.7 The Appointments and Compensation Committee may call a meeting with any employee or executive of the company. This duty shall be exercised through the Secretary of the Board of Directors.

24.8 The Appointments and Compensation Committee shall have the following duties:

- A) To assess the skills, knowledge and experience needed on the Board of Directors.
- B) To establish and revise a representation goal for the least-represented gender on the Board of Directors and develop guidelines on how to reach such objective.
- C) To raise all proposals for the appointment of Independent Directors to the Board of Directors and report on the proposed appointment of the other Directors, to be appointed by co-optation or by submission to the decision of the General Shareholders' Meeting, as well as all proposals or reports for the reappointment or removal of said Directors by the General Shareholders' Meeting.
- D) To report on and, as the case may be, make membership proposals to the Board of Directors for each of the Committees including, if any, the Executive Committee, but excluding the Appointments and Compensation Committee itself.
- E) To report to the Board of Directors on proposals for the appointment or removal of Endesa's Senior Executives together with the key terms of their contracts, including compensation.
- F) To report to the Board of Directors on organization of the Company in accordance with the general principles established by the Board.
- G) To propose the adoption of Senior Management compensation schemes that take the companies' profits into account. The Committee shall also apprise itself of and assess the Company's policy for executives as regards, in particular, training, promotion and selection.
- H) To assess and organize the succession of the Chairman of the Board of Directors and of the Company's Managing Director and, as the case may be, make proposals to the Board of Directors for such succession to occur in a seamless and orderly fashion.
- I) To propose the Directors Compensation Policy to the Board of Directors, as well as individual compensation and other contract terms for Executive Directors, ensuring compliance therewith.
- J) To verify information regarding compensation of Directors and Senior Executives provided in various corporate documents, including the annual report on director compensation.

These duties shall be deemed to be without limitation and notwithstanding such other duties as may be established in the Appointments and Compensation Committee Regulations or as entrusted to the Committee by law or the Board of Directors.

The Appointments and Compensation Committee shall consult with the Company's Chairman and Managing Director, especially on matters regarding Executive Directors and Senior Executives. Any Director may request that the Appointments and Compensation Committee take into consideration, if deemed suitable, potential candidates to fill vacancies in the position of Director.

## **Article 25. Sustainability and Governance Committee**

25.1 The Sustainability and Governance Committee shall be comprised of a minimum of three and a maximum of six members of the Board of Directors. The Committee shall be exclusively comprised of non-executive directors, the majority of which shall be independent directors.

The members of the Sustainability and Governance Committee shall serve in their positions for a term of four years and may be reappointed for periods of the same duration.

The Board of Directors shall aim to appoint members to the Sustainability and Governance Committee based on their knowledge, skills and experience.

25.2 The Chairman of the Sustainability and Governance Committee shall be appointed by the Board of Directors, by a favorable vote of the majority thereof, from among the independent directors on the Committee.

25.3 The Sustainability and Governance Committee shall meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings shall take place at the Company's registered offices or at such other location as may be determined by the Chairman and stated in the meeting notice. Committee meetings shall be validly assembled when the majority of its members are in attendance, in person or by proxy.

25.4 Resolutions shall be adopted by the favorable vote of the majority of the directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.

25.5 The Sustainability and Governance Committee may seek external advice when it deems necessary for the performance of its duties.

25.6 The Board Secretary shall serve as the Secretary of the Committee, who shall draft minutes for all resolutions adopted, which shall be reported to the Board. The minutes shall be made available to all members of the Board of Directors.

25.7 The Sustainability and Governance Committee may call a meeting with any employee or executive of the company. This duty shall be exercised through the Secretary of the Board of Directors.

25.8 The Sustainability and Governance Committee shall have the following duties:

- A) To report on proposed amendments to the Company's mission statement, vision and values and to ensure that the corporate culture is aligned therewith.
- B) To regularly review the Company's policies with regard to sustainability, the environment and climate change.
- C) To supervise and report to the Board of Directors, prior to its approval, on the Sustainability Plan or sustainability strategy and to periodically assess the degree of compliance with the defined objectives.

- D) To receive information on the listing and position of the Endesa Group on the most widely recognized international sustainability indexes.
- E) To review and monitor the policies on diversity, integration, equal opportunity, work-life balance, ethics and behavior.
- F) To monitor the Endesa Group's strategy as relates to its social actions and sponsorship and patronage plans, as well as the activities carried out by Fundación ENDESA.
- G) To verify that the non-financial statement is adapted to the Endesa Group's Sustainability Plan, and that it includes information risks and the Company's objectives with regard to climate change.
- H) To monitor and report on compliance with the Corporate Governance Policy for the Company and its Group, including any amendments thereto, as well as any other internal corporate policies and regulations of the Company that are included in Endesa's corporate governance system, excluding any matters arising under the responsibility of other Committees.
- I) To monitor compliance with the company's corporate governance rules, as relates to matters falling within the Committee's purview, and to regularly assess whether the corporate governance system is appropriate with a view to ensuring that its objective of promoting corporate interests is met and taking into account, as applicable, the legitimate interests of all interest groups.
- J) To issue a report on the contents of the annual corporate governance report, prior to approval by the Board of Directors.
- K) To assess compliance with the corporate governance recommendations applicable to the Company, as well as the decisions that could impact their monitoring.

These duties shall be deemed to be without limitation and notwithstanding such other duties as may be set forth in the Sustainability and Governance Committee Regulations or applicable law, or as entrusted to the Committee by the Board of Directors.

## **TITLE VII DUTIES OF DIRECTORS**

### **Article 25 bis. Duty of Due Diligence**

25 bis.1 Directors shall carry out their position and perform the duties imposed thereon by law, the Corporate Bylaws and these Regulations with the diligence of a prudent businessman, taking into account the nature of the position and duties attributed to the Director. The Directors shall, at all events, place the company's interest above their individual interests.

25 bis.2 Directors shall have the necessary dedication and shall adopt those measures necessary for the proper management and control of the Company.

25 bis.3 In performing their duties, the Directors have a duty to request, and the right to gather, all information from the Company which may be appropriate or necessary in order to perform their duties, and shall properly prepare all meetings of the Board and of any corporate body of which they are a member.



25 bis.4 Furthermore, Directors shall attend the meetings of all corporate bodies on which they sit and shall actively participate in their debates with a view to effectively contributing to the decision-making process. If a Director is unable, for just cause, to attend a meeting to which he/she has been called, he/she may provide voting directions to the Director representing him/her, if any.

25 bis.5 The Company may purchase an insurance policy to cover the civil liability of Directors and Executives arising in the performance of their duties, except as regards actions that are uninsurable under Spanish law.

#### **Article 26. Duty of Loyalty**

26.1 The Directors shall act as a loyal representative in performing their duties, acting in good faith and in the best interests of the Company, interpreted with full independence, and they shall ensure at all the times that the interests of the shareholders as a whole, from whom their authority originates and to whom they are accountable, are best defended and protected.

26.2 The Directors shall, by virtue of their office, be required, in particular, to:

- A) Refrain from exercising their powers for purposes other than those for which they were granted.
- B) Perform their duties under the principle of personal responsibility with freedom of expression or judgment and independence as regards the instructions of, or relations with, third parties.
- C) Comply with general principles and rules regarding behavior as set forth in the Company's Code of Ethics.

#### **Article 27. Duty of Confidentiality**

The Directors, even after ceasing to perform their duties, shall keep all proceedings, information, data, reports and records to which they had access in carrying out their position confidential and, in general, shall aim to preserve the confidentiality thereof, even when they have ceased to hold said office, except in such cases as required or permitted by law.

#### **Article 28. Conflict of Interest**

28.1 The Directors shall establish necessary measures to prevent their interests, whether for themselves or on behalf of third parties, from coming into conflict with corporate interests and their duties to the Company.

28.2 In particular, the duty to avoid conflicts of interest requires directors to abstain from:

- A) Carrying out transactions with the Company, except as related to ordinary transactions made under standard conditions for all clients and which are immaterial.
- B) Using the Company's name or invoking their condition as a Director thereof to unduly influence private transactions.
- C) Using corporate assets, including the Company's confidential information, for private purposes.



- D) Taking advantage of the Company's business opportunities.
- E) Obtaining advantages or compensation from third parties other than the Company and its group for performing their duties, excluding as minor hospitality.
- F) Performing activities, whether for themselves or on behalf of third parties, potentially or actually involving effective competition with the Company or which, in any other manner, place the Director in a permanent conflict of interest with the Company.

The provisions set forth in this section shall also apply when the beneficiary of the restricted actions or activities is related to the Director.

The waiver of the obligations set forth in this section, as the case may be, shall require approval of the Board of Directors or of the General Shareholders' Meeting, in accordance with the provisions of law and all other internal regulations of the Company.

28.3 The Directors shall abstain from deliberating and voting on resolutions or decisions regarding which they and/or a related person has a direct or indirect conflict of interest, without prejudice to the legally established exceptions as regards related party transactions, and in relation to resolutions or decisions which affect the Directors in their condition as administrators, including as regards appointment and removal from offices on the Board of Directors, its Committees and the Executive Committee, or other analogous bodies.

28.4 In any event, any conflicts of interest affecting the Directors of the Company shall be reported in accordance with the law in force.

#### **Article 28 bis. Duty of Disclosure**

28 bis.1 The Directors must disclose to the Company, through the Secretary of the Board of Directors:

- a) any direct or indirect conflict of interest between them and the Company;
- b) any domestic or foreign investigations or criminal claims opened in which they are defendants, whether or not related to their actions in the Company, as well as of all developments in said cases and proceedings, and of any other situation by which the director is affected and which could impair the Company's value or reputation; and
- c) in general, any fact or circumstance that could be relevant to his/her conduct as a director of the Company.

The Secretary shall report such circumstances to the Chairman of the Board of Directors and, depending on the matter, to the Chairman of the Appointments and Compensation Committee or the Chairman of the Audit and Compliance Committee, such that, taking into account the specific circumstances, the appropriate Committee may report or make such proposals as deemed appropriate to the Board of Directors.

- 28 bis.2 When a director reports any of the circumstances referred to above in sections b) or c), or if the Board becomes aware of such circumstances of a director by any other means, the Board of Directors shall assess the circumstances as soon as possible and, taking into account the specific circumstances, shall decide, following the proposal or report of the Appointments and Compensation Committee, whether to adopt any measures, such as opening an internal investigation or requesting the resignation or proposing the removal of the director, and shall report on such measures in the annual corporate governance report, unless there are special circumstances justifying such a situation, in which case such circumstances shall be recorded in the minutes.
- 28 bis.3 The Directors shall execute and annually renew a declaration stating the activities performed and securities owned thereby and, where appropriate, by any persons related thereto, which may be relevant to the performance of their duties.

## **TITLE VIII DIRECTORS' RIGHT TO INFORMATION**

### **Article 29. Right to Counseling and Information**

- 29.1 The Directors, as required to perform their duties, have access to all of the Company's services and have a duty to request, and the right to gather, all information from the Company which may be appropriate or necessary in order to perform their duties, as well as any advising required in relation to any matter. The right to information shall also cover investees, making requests to the Chairman, through the Board Secretary, and conveyed by the Chief Executive Officer.

Furthermore, the Board may request information on the actions of Senior Management of the Company and may ask for such explanations as it sees fit. Such requests shall be made by the Chairman through the Board Secretary and shall be conveyed by the Chief Executive Officer.

- 29.2 The majority of the Directors and the Coordinating Director may make proposals to the Board regarding the engagement, at the Company's expense, of such legal, accounting, technical, financial, commercial or other advisers as they consider necessary in order to assist them in performing their duties as related to specific problems of a certain importance and complexity related to the performance of their work.
- 29.3 The above proposal shall be notified to the Company Chairman through the Board Secretary and shall be conveyed by the Managing Director. The Board may refuse to approve financing for the advisory services referred to in the preceding paragraph on the grounds that they are not necessary for the performance of the duties entrusted, that their amount is disproportionate to the importance of the problem, or if it considers that such technical assistance could be adequately provided by Company personnel.
- 29.4 The Company, through the Appointments and Compensation Committee, shall establish an induction program to quickly provide new Directors with sufficient knowledge of the Company and its corporate governance rules, and which ensures that all new Directors have a sufficient minimum baseline of knowledge about the Company and promotes their active participation from the start. In addition, it shall also offer directors with knowledge update programs when circumstances so advise.

## **TITLE IX DIRECTORS' COMPENSATION**

### **Article 30. Directors' Compensation**

30.1 Directors shall be entitled to the following compensation based on their condition as such: a monthly fixed salary and attendance allowances for each meeting of the governing bodies of the Company and its committees.

Maximum global and annual compensation, for the Board as a whole and including all aforementioned items, shall be established by the General Shareholders' Meeting and shall remain in effect until it resolves upon an amendment thereof.

The Board itself shall be in charge of determining the exact amount to be paid in each fiscal year, subject to the limit set forth by the General Shareholders' Meeting, as well as for distributing such amount between the aforementioned items and between the directors in the manner, time and proportion as freely determined, taking into account the duties and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and all other relevant objective circumstances.

Notwithstanding the above, the Directors, regardless of their category, may waive their right to receive compensation as a fixed monthly salary and/or allowances for attendance at meetings of the Board of Directors, the Executive Committee and/or other Committees.

30.2 The amount of the attendance allowances shall not exceed the monthly fixed salary amount as determined in accordance with the above paragraphs. The Board of Directors may, within such limit, determine the amount of the allowances.

30.3 The compensation set forth in the preceding sections, applicable to members of the Board of Directors, shall be compatible with all other compensation, indemnities, social security contributions or any other professional or labor compensation items to which the Directors may be entitled by way of any other executive or advisory or representation duties they may perform for the Company which are separate from the supervisory and collective decision-making duties inherent in their position as Directors, which shall be subject to all legally applicable requirements.

30.4 Notwithstanding the aforementioned compensation, Executive Directors' compensation may also include the delivery of shares or share option rights or compensation linked to share value. Application of this type of compensation shall require a resolution of the General Shareholders' Meeting stating, as the case may be, the maximum number of shares that may be allocated to this compensation scheme in each fiscal year, the exercise price or the method for calculating the exercise price of the stock options, the share value that, as the case may be, is used as a benchmark, the term of the plan and any other conditions deemed appropriate.

30.5 Non-Executive Directors shall receive no compensation other than that necessary to remunerate their dedication without compromising their independence, including group and civil liability insurance policies, as related to their actions as Directors.

30.6 When a member of the Board of Directors is appointed as Managing Director or is otherwise granted executive powers, an agreement shall be executed between said individual and the Company, which shall be previously approved by the Board of Directors under the terms provided by law.

Fixed compensation amounts, applicability of variable compensation, and compensation of Executive Directors under their specific arrangements shall be proposed to the Board by the Appointments and Compensation Committee, and shall be subject to the obligation of transparency.

30.7 The Board of Directors shall, at the proposal of the Appointments and Compensation Committee, approve an annual report on Director compensation. This report shall be made available to the shareholders.

Furthermore, the Board of Directors shall, at least every three years, submit to the General Shareholders' Meeting for approval a Directors Compensation Policy, at the proposal of the Appointments and Compensation Committee.

## **TITLE X RELATIONSHIPS OF THE BOARD OF DIRECTORS**

### **Article 31. General Relationships with Shareholders and Investors**

31.1 The Board shall establish suitable mechanisms to ensure it is apprised of any proposals that, as the case may be, shareholders may make in relation to the management of the Company.

31.2 The Board shall monitor any information systems established by the Company for the various groups of shareholders and which may not accord any privilege to shareholders in identical circumstances.

31.3 The Board of Directors shall be regularly informed of any changes in shareholdings and of the opinion of significant shareholders, investors and credit rating agencies as regards the Company and its group.

31.4 The Company shall maintain a corporate website to provide information, at a minimum, as required by law, to shareholders and investors. The Board may delegate the duty to maintain the website up to date and ensure the adequacy of the content thereof to the Board Secretary.

### **Article 32. Relationships with the General Shareholders' Meeting**

32.1 The Board of Directors shall encourage the participation of shareholders at General Shareholders' Meetings by providing due information, as provided for in the General Shareholders' Meeting Regulations.

32.2 The Board shall adopt such measures as may be appropriate to facilitate performance by the General Shareholders' Meeting of the duties assigned thereto pursuant to law, the Corporate Bylaws and the General Shareholders' Meeting Regulations.

### **Article 33. Relationships with External Auditors**

- 33.1 The Board shall establish, directly or through the Audit and Compliance Committee, an objective, professional and ongoing relationship with the Company's external auditor, appointed by the General Shareholders' Meeting, showing respect for the auditor's independence and ensuring that the auditor is provided with all necessary information.
- 33.2 The Board of Directors, in the exceptional case in which the statutory auditor has included any reservation in the auditors' report, shall make available to the shareholders, at the time the Notice of General Meeting is issued and together with the remaining Board proposals and reports, a summary of the Audit and Compliance Committee's opinion on the contents and scope of such reservation.
- 33.3 The Board of Directors shall hold at least one meeting each year with the external auditor in order to be informed regarding the work performed and the financial position of and risks faced by the Company.

### **Article 34. Relationships with Securities Markets**

- 34.1 The Board, directly or through the Audit and Compliance Committee, shall monitor the establishment of internal control mechanisms for the regular public reporting of financial information and, in general, for reporting to the financial markets, as well as for the reporting of information related to as many facts, decisions or circumstance as may be material to the listing of shares with a view to ensuring that, to the extent possible, the proper price is set for the Company's shares and preventing, in particular, any manipulation or abuse of insider information.
- 34.2 The Board of Directors shall approve the Company's Conduct Regulations for Securities Markets.

### **FINAL PROVISION**

The status of Director implies the acceptance, in writing, of these Regulations and the declaration that the Director is not subject to any of the incompatibilities set forth herein.