

## **REPORT ON THE AMENDMENTS TO THE REGULATIONS OF THE BOARD OF DIRECTORS AGREED BY THE BOARD OF DIRECTORS SINCE THE DATE OF THE LAST GENERAL MEETING OF SHAREHOLDERS**

### **1. Introduction**

In accordance with the provisions of article 528 of the Capital Companies Act, the content of the amendments to the Regulations of the Board of Directors agreed by said body at its meetings held on 30 November 2022 and 24 May 2023, in which the provisions of article 3 of the Regulations on the procedure to be followed to amend the same are submitted for the information of the Ordinary General Meeting of Shareholders.

This report sets out the reasons why the Board considers it appropriate to make the amendments detailed below.

### **2. Justification of amendments**

#### **2.1 Amendment of Articles 10 and 14 of the Board's Regulation.**

On 30 November 2022, the Board, following the procedure foreseen in the Regulations, unanimously agreed to amend articles 10 and 14 of these Regulations in order to achieve a more efficient distribution of functions among the members of the Board, thus benefiting the Company from the experience of both the Chief Executive Officer and the Chairman of the Board in corporate and representation matters.

In this way, the functions and responsibilities of the Chairman of the Board were increased, also seeking better co-ordination with those of the Chief Executive Officer.

This is reflected in the amendment of articles 10 and 14 of the Board's Regulation to read as follows. The amendments are highlighted in bold for ease of analysis:

*"Article 10. The President of the Board.*

*The **Chairman of the Board of Directors, who is the highest individual representative of the Company, with functions of a strategic and institutional nature,** shall be elected from among its members.*

*2. As the person ultimately responsible for the effective functioning of the Board of Directors, the Chairman of the Board of Directors shall have, inter alia, the following powers:*

- a) To convene and chair the meetings of the Board of Directors;*
- b) **To establish, with the support of the Chief Executive Officer and the Secretary of the Board,** a schedule of dates and matters to be discussed at the meetings;*

- c) ***To establish, with the support of the Chief Executive Officer and the Secretary of the Board of Directors, the agenda for Board meetings;***
  - d) ***To direct the Board's discussions and deliberations, ensuring that sufficient discussion time is devoted to strategic issues;***
  - e) ***To ensure, with the support of the Secretary of the Board, that the directors the reception in due time and form of the information necessary to analyse and discuss the items on the agenda of the Board meetings;***
  - f) ***To encourage the establishment of good corporate governance practices, promoting the adoption of the highest standards of integrity and compliance by the Company.***
  - g) ***To stimulate debate and the active participation of directors during meetings, safeguarding their freedom to take a position, especially on strategic issues of the Company and its Group.***
  - h) ***To organise and coordinate the periodic evaluation of the board and, where appropriate, the chief executive of the company.***
  - i) ***To ensure that the Board of Directors plays a relevant and constructive role in the development and implementation of the Company's strategies and policies, ensuring the implementation by the Chief Executive Officer of the strategies and policies agreed by the Board of Directors.***
3. ***The Chairman shall, however, convene the Board and include the items in question in the agenda when so requested by a Vice-Chairman or two directors.***
4. ***The Chairman shall also have the powers provided for in the Articles of Association and those entrusted to him by the Board in each case.***
5. ***The President shall, in addition, have the following functions:***
- 5.1 To propose to the Board the general strategy of the Company***
  - 5.2 To propose to the Board, following a report from the Audit and Compliance Committee, the Company's capital structure.***
  - 5.3 To propose to the Appointments and Remuneration Committee, for approval by the Board of Directors, the remuneration policy for senior management.***
  - 5.4 To propose to the Appointments and Remuneration Committee, for approval by the Board of Directors, the remuneration of the Chief Executive Officer.***
  - 5.5 To propose to the Chief Executive Officer, for proposal to the Appointments and Remuneration Committee for approval by the Board of Directors, the appointment or removal of any member of Senior Management.***
  - 5.6 To establish the Company's Communication Policy, directing it in co-ordination with the Chief Executive Officer.***

***5.7 To hold, in coordination with the Chief Executive Officer, the highest representation of the Company before its stakeholders and public institutions.***

- 6. When the Board deems it appropriate, it may agree to delegate powers to the President, who shall be called the Executive President, under the terms and with the limitations established in Article 5.3 of these Regulations, in order to better perform his or her functions.***
- 7. When the Chairman has executive powers, the Board shall appoint a coordinating director, in accordance with the provisions of article 17.6 of these Regulations".***

***"Article 14. Delegated bodies and specialised committees of the Board of Directors.***

***1. Without prejudice to any delegations of powers made individually to the Chairman or to the Chief Executive Officer or to the Executive Committee, the Board of Directors shall set up at least two specialised Committees: an Audit and Compliance Committee, which shall be referred to interchangeably as the "Audit Committee" or "Audit and Compliance Committee", and an Appointments and Remuneration Committee, with powers of information, advice and proposal in the matters determined in the following articles.***

***2. Without prejudice to the powers conferred on it by law and the Company's Articles of Association, the Appointments and Remuneration Committee shall assess the profile of the most suitable persons to sit on the different Committees and shall submit the corresponding proposals to the Board. In any case, it shall take into consideration the suggestions made by the Chairman, the Corporate Vice-Chairman and the Chief Executive Officer.***

***3. Except as provided in the Articles of Association and these Regulations, the Committees may regulate their own functioning appointing a Chairman from among their members. They shall also appoint a Secretary, who need not be a member of the Committee, and shall meet when convened by the Chairman of the Committee. The Committees shall draw up an annual action plan, which they shall report to the Board. In all matters not specifically provided for, the operating rules established in the Articles of Association and in these Regulations in relation to the Board shall apply, provided that they are compatible with the nature and function of the Committee.***

***4. Senior management reports to the Chief Executive Officer, who has ultimate responsibility for the management of the Company's business. The Chief Executive Officer chairs the Management Committee.***

***5. When the Chairman and the Chief Executive Officer deem it appropriate, they may agree that the Chairman shall convene and attend meetings of the Management Committee".***

## **2.2 Amendment of Article 14 of the Regulation and creation of a new Article 14a.**

On 24 May 2023, the Board, following the procedure provided for in its Regulations, unanimously agreed to amend the wording of article 14 of the Regulations to provide for the possibility of delegating powers to an Executive Committee.

On the same date, the Board also unanimously agreed to the creation of a new article of the Regulations, numbered 14.bis, to establish the regulations governing the Executive Committee.

In introducing these amendments to the Regulations, the Board has sought to create a streamlined body which, without replacing the Board in its legal responsibilities of supervision and highest decision-making body of the Company, except in matters reserved to the competence of the General Meeting, will support the Chief Executive Officer and the Chairman in the exercise of their respective functions and powers.

This is reflected in the amendment of Article 14 of the Board's Regulation and the creation of Article 14a, which, since the amendment, have the following wording. The amendments are highlighted in bold for ease of analysis:

*"Article 14. Delegated bodies and specialised committees of the Board of Directors.*

*1. Without prejudice to any delegations of powers made individually to the Chairman or to the Chief Executive Officer **or to the Executive Committee**, the Board of Directors shall set up at least two specialised Committees: an Audit and Compliance Committee, which shall be referred to interchangeably as the "Audit Committee" or "Audit and Compliance Committee", and an Appointments and Remuneration Committee, with powers of information, advice and proposal in the matters determined in the following articles.*

*2. Without prejudice to the powers conferred on it by law and the Company's Articles of association, the Appointments and Remuneration Committee shall assess the profile of the most suitable persons to sit on the different Committees and shall submit the corresponding proposals to the Board. In any case, it shall take into consideration the suggestions made by the Chairman, the Corporate Vice-Chairman and the Chief Executive Officer.*

*3. Except as provided in the Articles of Association and these Regulations, the Committees may regulate their own functioning, shall appoint a Chairman from among their members, and shall also appoint a Secretary, who need not be a member of the Committee. They shall also appoint a Secretary, who need not be a member of the Committee, and shall meet when convened by the Chairman of the Committee. The Committees shall draw up an annual action plan, which they shall report to the Board. In all matters not specifically provided for, the operating rules established in the Articles of Association and in these Regulations in relation to the Board shall apply, provided that they are compatible with the nature and function of the Committee.*

*4. Senior management reports to the Chief Executive Officer, who has ultimate responsibility for the management of the Company's business. The Chief Executive Officer chairs the Management Committee.*

5. When the Chairman and the Chief Executive Officer deem it appropriate, they may agree that the Chairman shall convene and attend meetings of the Management Committee.

*"Article 14 Bis. The Executive Committee.*

1. *The Board of Directors may appoint from among its members an Executive Committee to which it may delegate part of its powers, and none of the powers contemplated in article 5.3 of these Regulations may be delegated, nor those which may not be delegated by law. The resolution to set up the Executive Committee and the delegation of powers shall require a two-thirds majority of the members of the Board.*

2. *The Executive Committee shall be governed by the basic rules set out below, which may be developed as necessary by resolution of the Executive Committee itself. Where necessary, in the absence of specific regulations, the rules established for the functioning of the Board of Directors shall apply:*

*2.1. Composition. The Executive Committee shall be composed of the following four directors: the Chairman of the Board, who shall act as Chairman of the Committee, the First Deputy Chairman, the Chief Executive Officer and the Chairman of the Audit and Compliance Committee, or such other independent director as may be determined by the Board of Directors.*

*The Committee may request the presence at meetings of other executives reporting directly to the Board or the Chief Executive Officer.*

*The secretary and deputy secretary of the Board of Directors shall act as secretary and deputy secretary of the Committee respectively.*

*2.2. Periodicity. The Committee shall meet ordinarily once a month and extraordinarily as often as the Chairman or three of its members deem appropriate for the proper functioning of the Company and its Group.*

*2.3. Quorum and agreements. The Commission shall be validly constituted when more than half of its members are present or represented.*

*Resolutions shall be passed by an absolute majority of those present.*

*2.4. Convening . Meetings of the Committee shall be called in writing at least 24 hours in advance. The notice shall be sent to each of the members by the secretary on the instructions of the Chairman.*

*In extraordinary circumstances, at the discretion of the Chairman, the minimum notice period may be reduced as necessary.*

*2.5. Minutes and information to the Board. Minutes shall be taken of the matters dealt with at the meetings and a copy shall be sent to all the members of the Board so that they are fully aware of the matters dealt with and agreed by the Executive Committee.*

*2.6 Execution of agreements. The execution of the agreements of the Executive Committee may be delegated to any of its members by an absolute majority of its members.*

*With the same system of majorities, it may agree on special powers of attorney in favour of any officer or employee of the Company for the execution of its specific resolutions".*

Madrid, 24 May 2023.

The Board of Directors