



FOR INFORMATION PURPOSES. SPANISH VERSION PREVAILS.

PROPOSAL AND EXPLANATORY REPORT ON THE AMENDMENT OF THE REGULATIONS OF THE BOARD OF DIRECTORS

1. Introduction

At the proposal of the Board of Directors and of its Chairman, the amendment of the Regulations of the Board of Directors of the Company is hereby submitted for the approval of the Board of Directors (the "**Regulations**").

For a full understanding of the proposed changes, this document sets out the purpose and justification therefor, as well as the proposed resolution to be submitted for the approval of the Board of Directors.

2. Justification for the proposal

The proposed amendments to the Regulations fall within the context, in general, of the Company's ongoing process of reviewing and updating its internal corporate governance regulations.

As part of this review, it has been deemed advisable to amend the Regulations with a view to:

- (i) Bringing them into line with:
 - (a) the changes introduced through the revision of the Good Governance Code of Listed Companies approved by the board of the Spanish Securities Market Commission (CNMV) on June 26, 2020; and
 - (b) the fact that, going forward, the Appointments Committee and the Compensation Committee will be governed by their own respective regulations.
- (ii) Including an improvement in the provisions governing the functions of the non-executive chairman of the Board of Directors, bringing them into line with the standard provisions set out in the corporate governance rules for the main companies forming part of the IBEX 35.
- (iii) Systematically updating and improving the provisions governing the functions of the Board of Directors, as part of which the currently applicable limitations have been revised and updated based on the standard rules for companies forming part of the IBEX 35.

In light of the foregoing, it was deemed advisable to revise the Regulations to introduce specific improvements to the wording.

The proposed amendment entails: (i) amendment of articles 4, 6, 7, 12, 15, 18, 31, 32, 33, 36, 37, 39, 41; and (ii) introduction of a new article 42. Both the amendments to be included in the aforementioned articles and the wording of the

new article 42 are set out in the document attached hereto as **Exhibit 0** (highlighting the changes, and the new article, proposed to the wording of the Regulations of the Board of Directors currently in force).

3. Proposed resolution

There follows a literal transcription of the full wording of the proposals for new wording which are submitted to the Board of Directors for approval:

Amendment of the Regulations of the Board of Directors

Proposed resolution:

To amend articles 4, 6, 7, 12, 15, 18, 31, 32, 33, 36, 37, 39 and 41 and to include a new article 42, which shall read as set out in the amended text of the Regulations of the Board of Directors attached hereto as **Exhibit 1**.

In Madrid, December 10, 2020

Exhibit 0

For information purposes. Spanish version prevails.

REGULATIONS OF THE BOARD OF DIRECTORS OF MERLIN
PROPERTIES, SOCIMI, S.A.

Revised text of the Board of Directors Regulations. The most recent amendment was approved by the ~~board~~Board of ~~directors~~Directors at the meeting held on ~~February 27~~[*] [*], 2020[, duly ~~filed~~registered at the ~~Mercantile~~Commercial Registry].

For information purposes. Spanish version prevails.

REGULATIONS OF THE BOARD OF DIRECTORS OF MERLIN PROPERTIES, SOCIMI, S.A.

CHAPTER I PRELIMINARY

ARTICLE 1. ORIGIN AND PURPOSE

1. These ~~regulations~~Regulations have been approved by the ~~board~~Board of ~~directors~~Directors (the Board) of Merlin Properties, SOCIMI, S.A. (the **Company**) ~~(the Board)~~, in compliance with the provisions of article 528 of Legislative Royal Decree 1/2010, of July 2, 2010, approving the revised Capital Companies Law (the **Capital Companies Law**). The purpose of these ~~regulations~~Regulations is to determine the principles of action of the Board and the basic rules governing its organization and functioning and the conduct of its members.
2. The rules of conduct established in these ~~regulations~~Regulations for Company ~~directors~~Directors shall also apply to the senior executives of the Company, to the extent they are compatible with their specific nature and the activities they perform. For the purposes of these ~~regulations~~Regulations, senior executives shall be those executives who report directly to the Board or to the ~~managing director~~Managing Director, if any, and, in all cases, the head of the Company's internal audit function (**senior executives**).

ARTICLE 2. INTERPRETATION AND AMENDMENT

1. These ~~regulations~~Regulations implement and supplement the regulations applicable to the Board pursuant to the legislation in force and the Company ~~bylaws~~Bylaws which, in the event of any discrepancy, shall prevail over the provisions of these ~~regulations~~Regulations. The ~~regulations~~Regulations shall be interpreted in accordance with the applicable statutory and bylaw provisions and with the principles and recommendations on the corporate governance of listed companies, having regard primarily to the spirit and purpose of the ~~regulations~~Regulations and the corporate interest.

The Board of ~~directors~~Directors shall resolve any questions or disputes arising in relation to the application or interpretation of the ~~regulations~~Regulations.

2. These ~~regulations~~Regulations may only be amended by the Board of ~~directors~~Directors at the proposal of the Chairman of the Board of ~~directors~~Directors, of half plus one of the ~~directors~~Directors or of the Appointments Committee.
3. Proposed amendments must be accompanied by an explanatory report and be reported on by the Appointments Committee. Such report shall not be necessary

where the proposed amendment has been made by the Appointments Committee.

4. The wording of the proposal, the explanatory report by its authors and, as the case may be, the report by the Appointments Committee, must be attached to the call notice for the Board meeting that is to discuss the proposal, and it must be expressly included in the ~~meeting agenda~~Meeting Agenda.
5. In order for the amendment to be valid, the relevant resolution must be adopted by the majority of the ~~directors~~Directors present at the meeting, in person or by proxy.
6. These ~~regulations~~Regulations must be reviewed whenever necessary in order to bring their content into line with the applicable legislation in force.

ARTICLE 3. DISSEMINATION

1. The ~~directors~~Directors of the Company (the ~~directors~~Directors) and the senior executives are obliged to know, comply and ensure compliance with these ~~regulations~~Regulations. For such purposes, the Board ~~secretary~~Secretary shall provide all of them with a copy of the ~~regulations~~Regulations on acceptance of their respective appointments or on signature of their contracts, as applicable, and they must deliver to the Secretary a signed declaration in which they state that they are aware of and accept the content of these ~~regulations~~Regulations, undertaking to fulfill all such obligations as may be required by virtue thereof.
2. Without prejudice to fulfillment of the obligations established by the applicable legislation from time to time, the Board shall adopt the necessary measures to disseminate these ~~regulations~~Regulations among the shareholders and the investing public in general. For such purposes, it shall use the most efficient means available in order to ensure that these ~~regulations~~Regulations reach each recipient equally, immediately and smoothly. In particular, the Board ~~regulations~~Regulations and any amendments thereto shall be notified to the Spanish National Securities Market Commission and registered at the Commercial Registry, in accordance with the applicable legislation. The current wording of the ~~regulations~~Regulations shall be available on the corporate website of the Company.

CHAPTER II FUNCTION OF THE BOARD

ARTICLE 4. GENERAL FUNCTION OF THE BOARD

1. The Board has the broadest powers to manage the Company and, save with respect to the matters reserved to the ~~shareholders' meeting~~Shareholders' Meeting, is the supreme decision-making body of the Company, with the authority to do and perform all things comprising the corporate purpose.
2. The Board shall ensure that the Company respects the legislation in force in its dealings with third parties and stakeholders; complies in good faith with its obligations and implicit and explicit contracts; respects the customs and best practices typical of the sectors and territories in which it pursues its activity; and observes any other corporate social responsibility principles that the Company voluntarily decides to accept.
3. The Board shall assume, on a non-delegable basis, any powers reserved by ~~law~~Law or the ~~bylaws~~Bylaws for its direct consideration, as well as any other powers necessary for the responsible exercise of its general supervisory function. In particular, and without limitation, the Board of ~~directors~~Directors reserves the power to approve the following matters:

3.1 General corporate matters:

- (a) the preparation of the financial statements, the ~~directors~~Directors' report and proposed distribution of income or allocation of loss, as well as the consolidated financial statements and consolidated ~~directors~~Directors' report, as applicable;
- (b) the preparation of the annual corporate governance report for its submission to the ~~shareholders' meeting~~Shareholders' Meeting and the report on ~~directors~~Directors' compensation;
- (c) financial and non-financial information that the Company makes public periodically, including the responsibility statement, and statements relating to interim financial information (following a recommendation by the Audit and Control Committee);
- (d) ~~(e)~~ the call of the ~~shareholders' meeting~~Shareholders' Meeting and the publication of notices relating to same;
- (e) the preparation of any type of report required of the Board of Directors in accordance with the Law, where the transaction to which the report refers cannot be delegated;

- (f) the exercise of the powers delegated by the Shareholders' Meeting, unless the Board has been expressly authorized to subdelegate them;
- (g) the resolution of conflicts of interest, where such power is not attributed by Law or the Bylaws to the Shareholders' Meeting;
- (h) save where they are attributed to the Shareholders' Meeting, transactions performed by the Company with related parties, in accordance with the provisions of article 35 of these Regulations;
- (i) to dispense in each particular case, as an exception, with the obligations arising from the duty of loyalty in accordance with the Law and the Company's internal regulations;
- (j) the gathering of any additional information deemed necessary on matters falling to the Board, addressing requests to the Chairman or Secretary of the Board, unless the Bylaws or Board Regulations stipulate otherwise;
- (k) the delegation of powers to any of its members on the terms established in the Law and in the Bylaws, and revocation of such powers;
- (l) the approval and amendment of the Board Regulations;
- (m) any other matter reserved to the plenary session of the Board pursuant to the Law or the Bylaws.

3.2 Matters related to appointments and compensation:

- (a) the appointment of Directors by co-option and submission of proposals to the Shareholders' Meeting relating to the appointment, ratification, reappointment or removal of Directors following a proposal by the Appointments Committee in the case of independent Directors or following a report by said Committee in the case of the rest of the Directors, as well as acknowledge the resignation of Directors;
- (b) the designation and renewal of positions on the Board of Directors and of Committee members
- (c) the appointment or removal of the Chairman, Secretary or Deputy Secretary of the Board of Directors (subject in all cases to a proposal or favorable report, as applicable, by the Appointments Committee);
- (d) the annual evaluation of the functioning of the Board, its Chairman, Managing Director and its Committees, following a report by the Appointments Committee;
- (e) the periodic evaluation of the performance of the Company's senior executives, following a report by the Appointments Committee;

- (f) [at the proposal of the Board Chairman], the appointment and potential removal of senior executives, as well as their basic contractual conditions;
- (g) the establishment of Directors' compensation (in accordance with the compensation policy approved by the Shareholders' Meeting) and the managerial team (in both cases following a recommendation by the Compensation Committee);

3.3 Matters related to general policies and strategies:

- (a) the approval of the Company's long-term business strategy, its annual Business Plan and its five-year strategic plans;
- (b) the approval of the management objectives and annual budget;
- (c) the definition of the structure of the group of companies of which the Company is the parent;
- (a) ~~the execution of the Company's treasury stock policy in the context of the authorizations of the shareholders' meeting~~the general policy on communication of economic-financial, non-financial and corporate information of the Company to be made available to shareholders, investors, proxy advisors and other stakeholders and contacts with same;
- (b) the sustainability policy, including the environment, corporate social responsibility and corporate governance;
- (c) the risk control and management policy, as well as the periodic monitoring of the internal reporting and control systems
- (d) the compensation policy for Directors (for approval by the Shareholders' Meeting) and for senior executives;
- (e) ~~(e) the establishment of~~ the dividend policy, proposing the relevant resolutions to the ~~shareholders' meeting~~Shareholders' Meeting as regards application of income, with the authority to resolve on the payment of interim dividends;
- (f) ~~the appointment of directors by co-option and submission of proposals to the shareholders' meeting relating to the appointment, ratification, re-appointment or removal of directors following a proposal by the Appointments Committee in the case of independent directors or following a report by said committee in the case of the rest of the directors, as well as acknowledge the resignation of directors;~~
- (g) ~~the designation and renewal of the internal offices on the Board of directors and committee members;~~

- (f) the treasury stock policy and the execution thereof in the context of the authorizations of the Shareholders' Meeting;
- (g) the approval of any material modification to the Company's accounting policies or practices (following a recommendation by the Audit and Control Committee).

3.4 Matters related to investments or transactions

- (a) ~~(h) any~~ declarations regarding any tender offer made for the securities issued by the Company;
- ~~(i) the delegation of powers to any of its members on the terms established in the law and in the bylaws, and revocation of such powers;~~
- ~~(j) the performance of the annual evaluation of the Board, its Chairman (following a report by the Appointments Committee) and its committees;~~
- (b) ~~(k)~~ the creation or acquisition of holdings in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens, and the performance of any other transactions or operations of a similar nature which, due to their complexity, could diminish the transparency of the group;
- ~~(l) the approval of:~~
 - ~~(i) the general policies and strategies of the Company and, in particular:~~
 - ~~(i) the strategic plans, management objectives and annual budget;~~
 - ~~(ii) the definition of the structure of the group of companies of which the Company is the parent;~~
 - ~~(iii) the corporate governance policy;~~
 - ~~(iv) the corporate social responsibility policy;~~
 - ~~(v) the compensation policy for senior executives;~~
 - ~~(vi) the dividend and treasury stock policy;~~
 - ~~(vii) the general risk policy;~~
 - ~~(viii) the risk control and management policy, as well as the periodic monitoring of the internal reporting and control systems; and~~
 - ~~(ii) —~~

~~the following decisions:~~

- ~~(i) at the proposal of the Chairman of the Board of directors, the appointment and potential removal of senior executives, as well as their basic contractual conditions;~~
 - ~~(ii) the establishment of the compensation for directors (according to the compensation policy approved by the shareholders' meeting) and senior executives;~~
 - ~~(iii) the periodic evaluation of the performance of the Chairman of the Board of directors, following a report by the Appointments Committee;~~
 - ~~(iv) the periodic evaluation of the functioning of the Board of directors and its committees, following a report by the Appointments Committee;~~
 - ~~(v) the periodic evaluation of the performance of the directors and senior executives of the Company, following a report by the Appointments Committee;~~
 - ~~(vi) the financial information to be published periodically by the Company;~~
- (c) ~~(vii) the~~all types of investments, divestments or transactions ~~of any kind~~ which, ~~given~~due to their high ~~amount~~value or special characteristics, ~~are~~have a strategic ~~in~~ nature, ~~save where~~unless their approval falls ~~to the shareholders' meeting~~within the remit of the Shareholders' Meeting; in particular, investments or divestments in real estate assets to the extent that they exceed the limits determined by the Board of Directors at any given time and, as the case may be, investments for the developments, restoration and maintenance of properties, as well as all types of expenses, where they exceed the amount envisaged in the budget or involve special cases that exceed the ordinary course of business;
- ~~(m) save where they are attributed to the shareholders' meeting, transactions performed by the Company with related parties, in accordance with the provisions of article 35 of these regulations;~~
 - ~~(n) the gathering of any additional information deemed necessary on matters falling to the Board, addressing requests to the Chairman or secretary of the Board, unless the bylaws or Board regulations stipulate otherwise;~~
 - ~~(o) the approval and amendment of the Board regulations; and~~

~~(p) any other matter reserved to the plenary session of the Board pursuant to the law or the bylaws.~~

~~4.~~

~~The Board shall also be responsible, on a non-delegable basis, for the definition of the Company's strategy and the organization required for its implementation, as well as for supervision and control of its management in order to ensure that the set business and investment objectives are met and the Company's purpose and corporate interest is respected. In particular, and without limitation, the non-delegable powers of the Board are as follows:~~

- ~~(a) approval of the Company's long-term business strategy, its annual business plan and its five-year strategic plans;~~
- ~~(b) proposed capital reductions, share issues (except under the Executive Share Plan) and buybacks, mergers, changes in legal form, spin-offs, etc., and any change to the listing of the Company or its SOCIMI status;~~
- ~~(c) approval of the annual corporate governance report, the responsibility statement, and statements relating to interim financial information (following a recommendation by the Audit and Control Committee);~~
- ~~(d) approval of any material modification to the Company's accounting policies or practices (following a recommendation by the Audit and Control Committee);~~
- ~~(d) (e) any matter relating to the acquisition of, or merger with, another listed company;~~
- ~~(f) acquisitions, disposals, development, property restoration, and other transactions valued in excess of 150 million euros or any significant transaction valued at less than 150 million euros that does not fall within the ordinary course of the Group's business;~~
- ~~(g) appointment or removal of the Chairman, of a director (by co-option) or of the Board secretary or deputy secretary (subject in all cases to a proposal or favorable report, as applicable, by the Appointments Committee);~~
- ~~(h) establishment of directors' compensation (in accordance with the compensation policy approved by the shareholders' meeting) and the managerial team (in both cases following a recommendation by the Compensation Committee);~~
- ~~(e) (i) the authorization of joint investments by of the Company (or by of any other group company in its group) with one or more third parties;~~
- ~~(j) authorization of external finance for the acquisition of an individual asset in which the ratio of debt incurred to the value of the acquisition and envisaged investment exceeds 50%; or of long-term agreements, of a commercial, financial or industrial nature, of strategic importance for the Company or its group;~~

(f) the serial issue of obligations, promissory notes or other similar instruments by the Company or its majority owned or controlled subsidiaries;

(g) ~~(k)~~ the authorization of hedging transactions or derivative trading, unless such transactions or derivatives are related to the coverage of the debt incurred by the Company;

~~(l) — contracts for services with third parties (including asset management services) where the contract price exceeds 3,000,000 per year;~~

(h) ~~(m)~~ changes relating to the Company's debt policy;

~~(n) — resolution of conflicts of interest, where such power is not attributed by law or the bylaws to the shareholders' meeting; and~~

~~(o) — authorization to exceed the annual limit on total expenditure.~~

4. ~~5.~~ The Board shall perform its functions in accordance with the corporate interest, understood to be the sustained maximization of the economic value of the Company, acting with unity of purpose and independent judgment.

5. ~~6.~~ The Board shall ensure compliance by the Company of its ethical obligations and its duty to act in good faith.

~~7.~~ The Board shall also ensure that no shareholder receives privileged treatment with respect to the other shareholders.

CHAPTER III COMPOSITION OF THE BOARD

ARTICLE 5. QUALITATIVE COMPOSITION

1. The Board, in exercising its powers to propose appointments to the ~~shareholders' meeting~~ Shareholders' Meeting and of appointment by co-option to fill vacancies, shall ensure, with respect to the composition of the Board, that non-executive ~~directors~~ Directors represent a majority over executive ~~directors~~ Directors and that executive ~~directors~~ Directors make up the required minimum. It shall also ensure that the procedures for selecting Board members favor diversity of gender, experience and knowledge, and do not suffer from any implicit bias that could entail any form of discrimination and, in particular, that they facilitate the selection of female ~~directors~~ Directors.
2. The Board shall ensure, in the exercise of the abovementioned functions, that among the non-executive ~~directors~~ Directors the ratio of nominal and independent ~~directors~~ Directors reflects, as far as possible, the proportion existing between the capital stock represented by nominee ~~directors~~ Directors and the remaining capital stock and that independent ~~directors~~ Directors number at least half of the total members of the Board of ~~directors~~ Directors.
3. The definitions of the different types of ~~directors~~ Directors shall be those established in the legislation in force or, failing that, in the good corporate governance recommendations applicable to the Company from time to time.
4. The provisions of this article are understood to be without prejudice to the right of proportional representation legally recognized to the shareholders and to the powers of the ~~shareholders' meeting~~ Shareholders' Meeting.
5. The Board shall avoid any discrimination between shareholders in their access to the Board through nominee ~~directors~~ Directors.

ARTICLE 6. QUANTITATIVE COMPOSITION

1. The Board shall be made up of the number of ~~directors~~ Directors determined by the ~~shareholders' meeting~~ Shareholders' Meeting within the limits established by the Company ~~bylaws~~ Bylaws.
2. The Board shall propose to the ~~shareholders' meeting~~ Shareholders' Meeting the most appropriate number of ~~directors~~ Directors, in accordance with the changing circumstances of the Company and within the ~~bylaw~~ Bylaw limits, to ensure the proper representation and effective functioning of the Board.

**CHAPTER IV
STRUCTURE OF THE BOARD OF DIRECTORS**

ARTICLE 7. THE CHAIRMAN OF THE BOARD

1. The Chairman of the Board shall be chosen from among its members, following a report by the Appointments Committee, ~~and shall have,~~
2. In addition to the powers provided for in the Company ~~bylaws~~ Bylaws and, as the case may, that are delegated to him by the Board, the Chairman shall have the following powers:
 - (a) To call and chair the meetings of the Board of Directors, in the manner established in the Bylaws and these Regulations, setting the agenda for the meetings and leading discussions and deliberations.
 - (b) To chair the Shareholders' Meeting and direct its discussions and deliberations.
 - (c) To submit to the Board of Directors the proposals that he considers appropriate for the sound running of the Company and, in particular, those relating to the functioning of the Board itself and other corporate bodies, and to propose the appointment of the internal offices within the Board of Directors.
 - (d) To direct the Board of Directors and define its agenda, bearing in mind all the relevant aspects and the Directors' concerns.
 - (e) To ensure that all Directors receive, accurate, relevant and clear information, especially regarding the Company's performance, its strategy, challenges and opportunities, in order to enable the Board to make sound decisions and to monitor the Company's performance correctly.
 - (f) To ensure effective communication with the shareholders and make certain the Directors and executives of the Company understand and respond to investors' concerns.
 - (g) To ensure that the Board of Directors spends enough time on discussing complex, sensitive or controversial matters, organizing, where necessary, informal meetings both with Directors as well as with executives and advisors that enable the adequate preparation of meetings and discussions of the Board of Directors.
 - (h) To lead initiation programs for new Directors, ensuring that they are complete and personalized.

- (i) To identify and attend to Directors' individual development needs and to the development needs of the Board of Directors overall, with a view to improving their performance as a team.
- (j) To ensure that the performance of the Directors, of the Board of Directors overall and of the Committees of the Board of Directors is evaluated annually; such evaluation will be provided externally at least every three years.
- (k) To encourage the active commitment by all Directors to discharge their office responsibly, diligently and loyally.
- (l) To lead the discussions of the Board of Directors with a view to encouraging effective decision-making and constructive debate regarding the development of the Company, its growth strategy and commercial objectives, encouraging the active participation of the Directors during meetings and safeguarding their freedom of speech.
- (m) To provide support and advice to the Managing Director in relation to the Company's strategy and transactions, including in relation to the preparation of any debate on the Board of Directors regarding the Company's strategy.
- (n) To supervise the correct implementation of the decisions adopted by the Board of Directors.
- (o) Where appropriate, to exercise senior representation of the Company before public bodies and external entities.

~~2. The Chairman shall be responsible for calling Board meetings, drawing up the meeting agenda and chairing the debates~~

- (p) In the context of the communications policy approved by the Board, in accordance with point 3.3.d), to promote, encourage and supervise same in all areas, including the Company's communications with the Spanish National Securities Market Commission.
- (q) In general, to encourage the highest standards of corporate governance ensuring compliance therewith by the Board of Directors.

ARTICLE 8. THE DEPUTY CHAIRMAN

1. The Board, at the proposal of the Chairman and following a report by the Appointments Committee, may appoint one or more ~~deputy-Chairman~~Deputy Chairmen, who shall stand in for the Chairman when he/she is absent or unable to attend.
2. The first ~~deputy~~Deputy Chairman, if any, shall stand in for the Chairman when he/she is absent or unable to attend, and shall be substituted, if necessary, by the second ~~deputy~~Deputy Chairman, and so on, successively.

ARTICLE 9. THE LEAD DIRECTOR

The Board of ~~directors~~Directors, at the proposal of the Appointments Committee, shall appoint (by requirement or voluntarily) one ~~director~~Director from among the independent ~~directors~~Directors as lead director (the “**Lead Director**”), who shall be specially empowered to:

- (a) ~~ask~~Ask the Chairman of the Board of ~~directors~~Directors to call a ~~board~~Board meeting whenever he/she sees fit;.
- (b) ~~request~~Request the inclusion of items on the agenda for ~~board~~Board meetings that have already been called;.
- (c) ~~chair~~Chair the ~~board~~Board of ~~directors~~Directors in the absence of the Chairman and, as the case may be, the ~~deputy-chairmen~~Deputy Chairmen.
- (d) ~~coordinate~~Coordinate and call together the ~~non-executive-directors~~external Directors;
- (e) ~~coordinate~~Coordinate the Chairman succession plan;
- (f) ~~head~~Head, as the case may be, the periodic evaluation of the Chairman of the Board of ~~directors~~Directors.
- (g) ~~voice~~Voice the concerns of the non-executive ~~directors~~Directors;
- (h) ~~ascertain~~Ascertain and listen to the concerns of investors and shareholders, particularly in relation to the corporate governance of the Company.

ARTICLE 10. THE SECRETARY AND LEGAL ADVISER TO THE BOARD

1. The Board shall appoint a ~~secretary~~Secretary, who may or may not be a Board member, with the capacity to perform the functions inherent in such office. Where the Board ~~secretary~~Secretary is not a ~~director~~Director, he/she shall have the right to speak but not to vote.

2. The ~~secretary~~Secretary shall assist the Chairman in his work and must provide for the proper functioning of the Board, particularly taking care to provide the ~~directors~~Directors with the necessary information and advice, to keep the corporate documentation, to duly and accurately reflect the conduct of meetings in the minutes book and to certify the Board resolutions. He/she must also make a record in the ~~board~~Board minutes of any concerns that are not resolved by the ~~board~~Board and that were raised by the ~~directors~~Directors in relation to the running of the Company, as well as the concerns expressed by the ~~secretary~~Secretary or the ~~directors~~Directors on any proposal, at the request of the concerned party.
3. The ~~secretary~~Secretary shall attend to the formal and material legality of the actions of the ~~board~~Board, shall ensure such actions are in keeping with the letter and spirit of the laws and regulations, shall verify their compliance with the ~~bylaws~~Bylaws and with the provisions issued by the regulatory bodies, and shall ensure the observance of the corporate governance criteria of the Company, the provisions of these ~~regulations~~Regulations and any corporate governance recommendations that may be established.
4. The ~~secretary~~Secretary shall be appointed and removed, as the case may be, by the plenary session of the ~~board~~Board, following a report in both cases by the Appointments Committee.
5. The Board of ~~directors~~Directors may have a ~~legal adviser~~Legal Adviser to the Board who shall have the functions granted under the legislation in force. The ~~secretary~~Secretary or, as the case may be, ~~deputy secretary~~Deputy Secretary may hold the position of ~~legal adviser~~Legal Adviser to the Board where he/she is a lawyer and meets the other requirements provided for in the legislation in force.

ARTICLE 11. THE DEPUTY BOARD SECRETARY

The Board may, following a report by the Appointments Committee, appoint a ~~deputy secretary~~Deputy Secretary, who need not be a ~~director~~Director, to assist the Board ~~secretary~~Secretary or substitute the ~~secretary~~Secretary in the event of his/her absence for whatever reason.

ARTICLE 12. DELEGATE BODIES OF THE BOARD OF DIRECTORS

1. Pursuant to the provisions of the ~~bylaws~~Bylaws, without prejudice to any powers delegated individually to the Chairman or to any other ~~director~~Director ~~(managing directors)~~Director (Managing Directors), the Board may appoint from among its number an ~~executive committee~~Executive Committee with general decision-making powers but with the internal limits resulting from article 4, determining which persons should hold such offices and how they should act, and may create other committees made up of ~~directors~~Directors with the functions ~~it sees~~they see fit. In order for the delegation and appointment of the Board members who are to hold such positions to be valid, the favorable vote of

two-thirds of the members of the Board of ~~directors~~Directors shall be required and such appointments shall not be effective until they have been registered at the Commercial Registry.

2. The Board ~~of directors~~ shall appoint from among its number an Audit and Control Committee ~~and an appointments and Compensation Committee (or, an Appointments Committee and a Compensation Committee)~~, the latter two in a consultative capacity.
3. The Board ~~of directors~~ may also appoint other purely internal committees with the functions determined by the Board of ~~directors~~Directors. The Chairman, ~~secretary~~Secretary and remaining members of such ~~committees~~Committees shall be appointed by the Board by simple majority.
4. All such ~~committees~~Committees shall be governed by the provisions of the ~~law~~Law, the ~~bylaws~~Bylaws and these Board ~~regulations~~Regulations. For all matters not provided for in the foregoing, the operating rules established by these ~~regulations~~Regulations in relation to the Board shall apply, provided that they are compatible with the nature and function of the relevant ~~committee~~Committee.

CHAPTER V FUNCTIONING OF THE BOARD

ARTICLE 13. BOARD MEETINGS

1. The Board shall meet, on an ordinary basis, at least eight (8) times a year and, at the initiative of the Chairman, as many times as he/she sees fit for the proper functioning of the Company. In any event, it must meet at least once every quarter. The Board must also meet whenever so requested by at least one-third (1/3) of its members, by the ~~director~~Director specially empowered for such purpose or by two (2) independent ~~directors~~Directors, in which case it shall be called by the Chairman, to be held within the fifteen (15) days following the request.

Directors constituting at least one-third (1/3) of the Board members may call a Board meeting, indicating the agenda, to be held in the place where the registered office is located if, following a request made to the Chairman, the Chairman fails to call the meeting within one month without just cause.

In any event, the Board must meet within a maximum of three (3) months from the end of the fiscal year, in order to prepare the financial statements, ~~directors~~Directors' report and the proposed distribution of income.

2. Ordinary Board meetings shall be called by letter, fax, telegram or email or any other means that allows for its receipt by the Board ~~secretary~~Secretary or acting

Board ~~secretary~~Secretary, at the order of the Chairman. The call notice shall be sent at least five (5) days in advance. The information deemed necessary shall be sent or made available to the ~~directors~~Directors along with the call notice, which shall include the meeting agenda at all times, save for just cause.

Without prejudice to the above, the Board of ~~directors~~Directors shall be deemed validly constituted without the need for a call if all of its members are present, in person or by proxy, and unanimously agree to hold a Board meeting and on the meeting agenda.

3. The Chairman of the Board of ~~directors~~Directors may call special Board meetings when, in his opinion, the circumstances so dictate and the advance notice period and other requirements indicated in the preceding section shall not apply. This notwithstanding, efforts shall be made to ensure that any documentation to be provided to ~~directors~~Directors is delivered sufficiently in advance.
4. The Chairman of the Board of ~~directors~~Directors shall decide on the agenda for the meeting. Any ~~director~~Director may request that the Chairman include items on the agenda and the Chairman shall be obliged to include them where the request is made not less than two (2) days in advance of the date scheduled for the meeting.
5. Ordinary Board meetings shall be held at the registered office but meetings may also be held at any other venue determined by the Chairman, whether in Spain or abroad.
6. In addition, provided there are justified reasons to explain the inability to attend by any ~~director~~Director, the Chairman may authorize the simultaneous holding of Board meetings at different venues connected by audiovisual or telephonic means, provided that the identification of the ~~directors~~Directors present and real-time interactivity and intercommunication and, consequently, the integrity of the meeting, is guaranteed.

Board members not physically present at the meeting venue who use means of communication that allow for the meeting to be held simultaneously and reciprocally with the meeting venue and with other members using means of distance communication, shall be considered attendees for all purposes and may cast their vote via the means of communication used.

7. Board meetings shall be validly constituted when at least half plus one of its members are present, in person or by proxy. However, the Board shall be deemed validly constituted without the need for a call if all of its members are present, in person or by proxy, and unanimously agree to hold a Board meeting and on the meeting agenda.
8. The Board of ~~directors~~Directors may also adopt resolutions in writing and without holding a meeting where no ~~director~~Director objects to the procedure, in accordance with the provisions of the law and the ~~bylaws~~Bylaws, and votes may

be cast in writing or via email, provided that the identity of the ~~director~~[Director](#) casting his/her vote can be guaranteed.

ARTICLE 14. CONDUCT OF MEETINGS

1. Directors must attend Board meetings and, where they cannot do so in person, must endeavor to grant a proxy in writing, specifically for each meeting, to another member of the Board, including the relevant voting instructions and notifying the Chairman of the Board. Non-executive ~~directors~~Directors may only grant a proxy to another non-executive ~~director~~Director. Proxies may be conferred by any postal or electronic means or by fax, provided that the identity of the ~~director~~Director and the direction of the voting instructions can be guaranteed.
2. The Chairman shall organize the debate, procuring and promoting the participation of all ~~directors~~Directors in Board deliberations.
3. Unless a voting quorum is specifically established in the ~~law~~Law or the ~~bylaws~~Bylaws, resolutions shall be adopted by an absolute majority of the ~~directors~~Directors present, in person or by proxy, at the meeting. In the event of a tie, the Chairman shall have the casting vote.
4. The Chairman may invite to Board meetings or to certain items on the agenda any individuals who may enhance the information available to ~~directors~~Directors.
5. Minutes of the Board meetings shall be taken by the ~~secretary~~Secretary and shall be signed, at least, by the Chairman or ~~deputy~~Deputy Chairman, as the case may be, and the ~~secretary~~Secretary or ~~deputy-secretary~~Deputy Secretary, as the case may be, and shall be transcribed or taken down in a special Board minutes book, in accordance with the law.

The minutes shall be approved by the Board at the end of the same meeting or the immediately subsequent meeting.

In order to facilitate the implementation of resolutions and their notarization, as the case may be, the minutes may be partially approved, with each approved part containing one or more resolutions.

CHAPTER VI APPOINTMENT AND REMOVAL OF DIRECTORS

ARTICLE 15. APPOINTMENT OF DIRECTORS

1. Directors shall be appointed by the ~~shareholders' meeting~~Shareholders' Meeting or by the Board (in cases of appointment by co-option) in accordance with the provisions of the ~~law~~Law and the ~~bylaws~~Bylaws.
2. Proposals for the appointment or re-appointment of Board members shall correspond to the Appointments Committee, in the case of independent ~~directors~~Directors, and to the Board in all other cases.
3. Proposals must be accompanied in all cases by an explanatory report by the Board of ~~directors~~Directors that assesses the competency, experience and merits of the proposed candidate, and such report shall be attached to the minutes of the ~~shareholders' meeting~~Shareholders' Meeting or the Board meeting.
4. Proposals for the appointment or re-appointment of any non-independent ~~director~~Director must also be preceded by a report by the Appointments Committee.
5. The Board and the Appointments Committee, within the scope of their powers, shall ensure that the candidates chosen are reputable, competent and experienced individuals and shall exercise rigor in relation to those candidates called to fill the offices of independent ~~director~~Director provided for in article 5 of these ~~regulations~~Regulations.
6. The members of the Board of ~~directors~~Directors shall be subject, to the extent applicable to them, to Law 53/1984, of December 26, 1984, on Incompatibilities of Personnel in the Service of the Public Authorities, to Law 3/2015, of March 30, regulating the discharge of senior Government office, and to other legislation on incompatibility.
7. Company ~~directors~~Directors may be members of a maximum of four (4) Boards of directors of other listed companies (other than the Company). This notwithstanding, ~~executive directors~~Executive Directors must obtain authorization from the Board of ~~directors~~Directors, subject to a report by the Appointments Committee (or from the ~~appointments~~Appointments and Compensation Committee), before joining the Board of ~~directors~~Directors of any listed company.

ARTICLE 16. RE-APPOINTMENT OF DIRECTORS

Before proposing the re-appointment of ~~directors~~Directors to the ~~shareholders' meeting~~Shareholders' Meeting, the Board shall evaluate the quality of the work and the dedication to office of the proposed ~~directors~~Directors during the preceding term of office, with the abstention of the parties concerned.

ARTICLE 17. TERM OF OFFICE

1. Directors shall hold office for the period provided for in the ~~bylaws~~Bylaws and may be re-appointed on one or more occasions for periods of equal duration.
2. Directors appointed by co-option shall discharge their office until the next ~~shareholders' meeting~~Shareholders' Meeting has been held or once the statutory period has elapsed for holding the ~~shareholders' meeting~~Shareholders' Meeting that is to resolve on the approval of the previous year's financial statements. Where a vacancy arises on the Board after the ~~shareholders' meeting~~Shareholders' Meeting has been called but before it is held, the Board may appoint a ~~director~~Director until the next ~~shareholders' meeting~~Shareholders' Meeting is held.

ARTICLE 18. REMOVAL OF DIRECTORS

1. Directors shall cease to hold office once the period for which they were appointed has elapsed, when so decided by the ~~shareholders' meeting~~Shareholders' Meeting in use of the powers conferred on it by ~~law~~Law and the ~~bylaws~~Bylaws, and when they resign.
2. The Board of ~~directors~~Directors shall not propose the removal of any independent ~~director~~Director prior to the end of the ~~bylaw~~Bylaws term for which he/she was appointed, unless the Board deems there is just cause, following a report by the Appointments Committee. In particular, just cause shall be deemed to exist when a ~~director~~Director has breached the duties inherent in his/her office or becomes subject to any of the impediments described in the definition of independent ~~director~~Director established by the legislation in force or, failing that, in the good corporate governance recommendations applicable to the Company from time to time.

The above notwithstanding, the removal of independent ~~directors~~Directors may be proposed as a result of tender offers, mergers and other similar corporate transactions that entail a change in the Company's capital structure when such changes in the Board structure are brought about due to the criteria of proportionality.

3. Directors must place their office at the disposal of the Board and tender their resignation, if the Board deems it appropriate, in the following cases:
 - (a) when they cease to hold the executive positions to which their appointment as a ~~director~~Director is linked, as the case may be;
 - (b) when they are subject to any of the grounds for incompatibility or prohibition provided for by law;
 - (c) when they are severely reprimanded by the Board for having breached their obligations as ~~directors~~Directors;

- (d) when they are prosecuted for an alleged offense or are subject to a disciplinary proceeding for serious or very serious breach by supervisory authorities;
 - (e) when their remaining on the Board could jeopardize or adversely affect the interests of the Company or where the reasons for which they were appointed no longer exist. In particular, in the case of non-executive nominee ~~directors~~ Directors, when the shareholder they represent sells its entire holding or significantly reduces it. They must also resign, in the relevant number, when such shareholder lowers its holding to a level that requires a reduction in the number of non-executive nominee directors;
 - (f) where they are members of more than four Boards of ~~directors~~ Directors of other listed companies (other than Merlin) (and, in the case of executive ~~directors~~ Directors, if they join ~~boards~~ Boards of ~~directors~~ Directors of listed companies without obtaining prior authorization from the Company's Board of ~~directors of the Company~~ Directors);
 - (g) when there are significant changes in their professional situation or in the conditions by virtue of which they were appointed as ~~director~~ Director; and
 - (h) when, due to facts attributable to the Board, their remaining on the Board causes a serious detriment to the net worth or corporate reputation, in the opinion of the Board.
4. ~~Where~~ In the event that, due to resignation or ~~any other reason~~ a resolution by the Shareholders' Meeting, a ~~director~~ Director ceases to hold office before the end of his/~~her~~ mandate, he/she must ~~explain the~~ provide sufficient reasons ~~why for his/her resignation or, in the case of non-executive Directors, his/her opinion on the reasons for the cessation by the Shareholders' Meeting~~ in a letter ~~to be~~ sent to all ~~members of~~ the Board members.

ARTICLE 19. OBJECTIVITY IN VOTING

In accordance with the provisions of article 26 of these ~~regulations,~~ Regulations, Directors affected by proposals for appointment, re-appointment or removal shall refrain from participating in deliberations and votes concerning them.

CHAPTER VII DIRECTOR INFORMATION

ARTICLE 20. POWERS OF INFORMATION AND INSPECTION

1. Directors are obliged to diligently acquaint themselves with the running of the Company. For such purpose, ~~directors~~Directors may request information on any aspect of the Company and to examine its books, registers, documents and other documentation. The right to information extends to subsidiaries in all cases and to investees, where possible.
2. Requests for information must be addressed to the Chairman of the Board, who shall pass on the request to the appropriate person at the Company.
3. Where the Chairman deems the information to be confidential, he/she shall inform the ~~director~~Director requesting and receiving it of such circumstance, as well as their duty of confidentiality in accordance with the provisions of these ~~regulations~~Regulations.
4. The Chairman may refuse the information if he/she considers: (i) that it is not necessary for the proper performance of the functions entrusted to the ~~director~~Director; or (ii) that the cost thereof is not reasonable in view of the significance of the matter and the assets and income of the Company.

ARTICLE 21. EXPERT ASSISTANCE

1. With a view to assisting them with their functions, non-executive ~~directors~~Directors may request the engagement, at the expense of the Company, of legal advisers, accountants, financial or other experts. The engagement must necessarily relate to specific problems of a certain scale and complexity arising in the discharge of their office.
2. The request must be communicated to the Chairman of the Company; however, it may be rejected by the Board, provided that it is evidenced:
 - (a) that it is not necessary for the proper performance of the functions entrusted to non-executive ~~directors~~Directors;
 - (b) that the cost thereof is not reasonable in view of the significance of the matter and the assets and income of the Company;
 - (c) that the technical assistance involved may be adequately provided by Company experts and technicians; or
 - (d) that it could entail a risk with respect to the confidentiality of the information to be handled.

CHAPTER VIII DIRECTOR COMPENSATION

ARTICLE 22. DIRECTORS' COMPENSATION

1. Directors' compensation shall be regulated in accordance with the provisions of the Company ~~bylaws~~Bylaws.
2. Directors' compensation must in all cases be reasonably proportionate to the size of the Company, its economic situation from time to time and market standards of comparable undertakings. The compensation system established must be geared towards promoting the long-term profitability and sustainability of the Company, attracting and retaining ~~directors~~Directors with the desired profile, compensating the time commitment, competencies and responsibility that the office demands, and incorporating the necessary safeguards to prevent excessive risk-taking and the reward of poor performance.
3. The ~~Appointments~~Compensation Committee shall draft an annual report on the ~~directors' compensation~~Directors' Compensation policy with the content required by the applicable legislation in force from time to time.

CHAPTER IX DIRECTORS' DUTIES

ARTICLE 23. GENERAL OBLIGATIONS

1. In performing their functions, ~~directors~~Directors shall act with the diligence of an orderly businessman and a loyal representative, taking into account the nature of the office and the functions attributed to them, and acting at all times in a manner faithful to the corporate interest. They must also make a sufficient time commitment and take all measures necessary for the efficient management and supervision of the Company.

In particular, ~~directors~~Directors are obliged to:

- (a) inform themselves and adequately prepare for meetings of the Board of ~~directors~~Directors and of any delegate bodies to which they belong;
- (b) attend Board meetings and actively participate in deliberations in order for their opinions to effectively contribute to the decision-making process;

Where, with just cause, ~~directors~~Directors cannot attend the meetings to which they have been called, they must notify the ~~director~~Director who is to represent them.

- (c) contribute their strategic vision, as well as concepts, opinions and innovative measures for the optimum pursuit and development of the Company's business;
- (d) perform any specific task entrusted to them by the Board or by any of its delegate and/or consultative bodies that reasonably falls within the scope of their dedication;
- (e) investigate any irregularity in the management of the Company of which they may have knowledge, monitor any risk situation and notify the Board or competent body of the Company of any irregularity in the management of the Company of which they may have knowledge;
- (f) request that the persons with capacity to do so call a special Board meeting or include on the agenda of the next meeting to be held any items they see fit; and
- (g) oppose resolutions that are contrary to the ~~law~~Law, the ~~bylaws~~Bylaws or the corporate interest, and request that their position be recorded in the minutes where they consider it most appropriate for the protection of the corporate interest.

The provisions of the above paragraph shall apply to the Board ~~secretary~~Secretary, even where he/she is not a ~~director~~Director.

- 2. In all cases, ~~directors~~Directors must devote the time and effort necessary to effectively perform their functions and, as a result, ~~directors~~Directors must inform the Appointments Committee of their other professional obligations, in case they might interfere with the required dedication.

ARTICLE 24. DUTY OF CONFIDENTIALITY

- 1. Directors shall keep the deliberations of the Board and of the delegate bodies of which they are a member secret and, in general, shall refrain from disclosing any information that is not in the public domain and to which they may have had access in the discharge of their office.
- 2. The duty of confidentiality shall subsist even after ~~directors~~Directors have ceased to hold office and ~~directors~~Directors must keep secret any confidential information and information, data, reports or records of which they have knowledge as a result of the discharge of their office, and may not disclose them to third parties or divulge them if this may have adverse consequences for the corporate interest. An exception is made to the duties referred to in this paragraph in cases where the law permits disclosure to third parties or where, as the case may be, information is required or must be sent to the respective supervisory authorities, and any data disclosure must be in keeping with the provisions of the law.

ARTICLE 25. PROTECTION OF BUSINESS JUDGMENT

1. In the area of strategic and business decisions, subject to business judgment, the standard of diligence of an orderly businessman shall be deemed to be fulfilled when the ~~director~~Director has acted in good faith and with no personal interest in the matter being decided upon, with sufficient information and in accordance with an adequate decision-making procedure.
2. Decisions that personally affect other ~~directors~~Directors and related parties and, in particular, decisions aimed at authorizing the transactions provided for in article 29 of these regulations are not deemed to be included within the scope of business judgment.

ARTICLE 26. DUTY OF LOYALTY

1. Directors must discharge their office with the loyalty of a faithful representative, acting in good faith and in the best interests of the Company.
2. The breach of the duty of loyalty shall not only give rise to the obligation to indemnify the damage caused to the net worth, but also to return the unjust enrichment obtained by the ~~director~~Director to the Company.

ARTICLE 27. BASIC OBLIGATIONS DERIVING FROM THE DUTY OF LOYALTY

In particular, the duty of loyalty obliges ~~directors~~Directors:

- a) Not to exercise their powers for purposes other than those for which they were conferred.
- b) To keep secret any information, data, reports or background information to which they may have had access in the discharge of their office, on the terms of article 24.
- c) To abstain from participating in the deliberation of and voting on resolutions or decisions in which they or a related person has a direct or indirect conflict of interest. Resolutions or decisions that affect ~~directors~~Directors by reason of their office as ~~director~~Director, such as their appointment to or removal from office on the managing body or other similar resolutions, are excluded from the above obligation to abstain.
- d) To perform their functions subject to the principle of personal liability, with freedom of judgment, and independent of third-party instructions and relationships.
- e) To adopt the necessary measures to avoid situations in which their interests, whether for their own account or for the account of others, may enter into conflict with the corporate interest and with their duties to the Company.

ARTICLE 28. DUTY TO AVOID CONFLICTS OF INTEREST

1. The duty to avoid conflicts of interest referred to in letter e) of article 27 above obliges ~~directors~~Directors to refrain from:
 - a) performing transactions with the Company, save for ordinary transactions, performed on standard terms for clients and of minor significance, deemed to be transactions the data from which is not necessary to give a fair view of the net worth, financial situation or results of the Company.
 - b) using the name of the Company or referring to their status as ~~director~~Director in order to exert undue influence in the performance of private transactions.
 - c) using the corporate assets, including the confidential information of the Company, for private purposes.
 - d) taking advantage of the ~~Company~~company's business opportunities;
 - e) obtaining advantages or remuneration from third parties other than the Company and its group associated with the discharge of their office, unless they are mere courtesies.
 - f) pursuing activities for their own account or for the account of others that entail effective competition, real or potential, with the Company or in any other way place them in a situation of permanent conflict of interest with the Company.
2. The above provisions shall also apply if the beneficiary of the prohibited acts or activities is a person related to the ~~director~~Director. In any event, ~~directors~~Directors must notify any direct or indirect conflict of interest that they or persons related to them may have with the corporate interest to the other ~~directors~~Directors and, as the case may be, to the Board of ~~directors~~Directors.
3. For the purposes of these regulations, persons related to ~~directors~~Directors shall be those determined in the applicable legislation from time to time ("Related Persons").

ARTICLE 29. MANDATORY RULES AND WAIVER

1. The rules relating to the duty of loyalty and to liability for breach of such duty are mandatory law.
2. Notwithstanding the provisions of the preceding subarticle, the Company may waive the prohibitions contained in the preceding article in special cases, authorizing a ~~director~~Director or related person to perform a specific transaction with the Company, use certain corporate assets, take up a specific business opportunity, or obtain an advantage or remuneration from a third party.

The authorization must be agreed by the ~~shareholders' meeting~~Shareholders' Meeting where it pertains to the waiver of the prohibition to obtain an advantage

or remuneration from a third party, or a transaction the value of which is higher than ten percent of the corporate assets.

In other cases, authorization may also be granted by the Board of ~~directors~~Directors, provided that the independence of the members granting the authorization from the ~~director~~Director in question is guaranteed. It shall also be necessary to ensure that the authorized transaction is harmless to the net worth or, as the case may be, that it is performed at arm's length, and the transparency of the process.

3. The obligation not to compete with the Company may only be waived if no damage to the Company is to be expected or if the damage is offset by the expected benefits of the waiver. The waiver shall be granted by means of an express and separate resolution by the shareholders' meeting.
4. In all cases, at the request of any shareholder, the ~~shareholders' meeting~~Shareholders' Meeting will resolve on the removal of any ~~director~~Director that pursues competing activities where the risk of harm to the Company has become significant.

ARTICLE 30. INDIRECT TRANSACTIONS

Directors shall breach their duties of loyalty to the Company if, having advance knowledge, they allow or fail to disclose the existence of transactions performed with Related Persons that have not been subject to the conditions and controls provided for in the preceding articles.

ARTICLE 31. DUTIES TO PROVIDE INFORMATION

1. Directors must inform the Company of the shares they hold, whether directly or indirectly through Related Parties, all of the foregoing in accordance with the provisions of the Internal Code of Conduct on matters relating to the Securities Markets.
2. Directors must also inform the Company of any offices they hold and any activities they perform at other companies and, in general, of any facts, circumstances or situations that may be material for their actions as ~~director~~ Director of the Company.
3. Directors must inform the Company of any circumstances affecting them ~~and which could, whether or not they are related to their conduct within the Company, that may~~ adversely affect the credit or reputation of the Company and, in particular, of any criminal proceedings in which they appear as an accused party and of any ~~significant~~ developments in the proceeding. ~~After~~ The Board shall assess whether, after examining ~~any~~ the situation ~~presented to it by a director, the Board may request the director's resignation and such decision must be obeyed by the director~~ of the Director affected, in view of the specific circumstances and following a report by the Appointments Committee, to adopt any measures such as initiating an internal investigation, requesting the Director's resignation or proposing that he/she be removed.

CHAPTER X INFORMATION POLICY AND BOARD RELATIONS

ARTICLE 32.- WEBSITE

1. The Company shall maintain the corporate website in order to facilitate the exercise by shareholders of their right to information and to disseminate the ~~material~~ information required by securities market legislation. The website shall contain the documents and information provided for in the applicable legislation, including information and documentation relating to the call of shareholders' meetings, as well as any other documentation and information that the Board of ~~directors~~ Directors deems appropriate to make available to shareholders through this medium.

2. The Board of ~~directors~~Directors shall be responsible for having the information that must be included on the corporate website in compliance with the obligations imposed by the applicable legislation and shall be responsible for updating it on the terms provided for by the legislation in force.

ARTICLE 33. RELATIONS WITH SHAREHOLDERS

1. The Board shall provide the appropriate channels in order to receive any proposals made by the shareholders in relation to the management of the Company.
2. The Board may, through some of its ~~directors~~Directors and with the cooperation of any senior executives it deems appropriate, organize informational meetings on the running of the Company and of its group for shareholders residing in the most important financial markets in Spain and in other countries, provided that no special treatment is given to the shareholders and provided that a copy of such information is submitted to the Spanish National Securities Market Commission and published on the Company's website.
3. Public requests for the delegation of votes made by the Board or any of its members must express the direction in which the proxy is to vote if no instructions are provided by the shareholder. Votes delegated by virtue of such public request may not be cast in relation to items on the agenda where there is a conflict of interest in accordance with the provisions of the legislation in force.
4. The Board shall encourage the informed participation of the shareholders at shareholders' meetings and shall adopt such measures as may be appropriate to facilitate the effective exercise by the ~~shareholders' meeting~~Shareholders' Meeting of the functions conferred on it by the law and the ~~bylaws~~Bylaws.

In particular, the Board shall adopt the following measures:

- (a) it shall endeavor to make available to shareholders, prior to the meeting, all such information as may be legally required and any information which, while not legally required, may be of interest and be reasonably supplied;
- (b) it shall attend, with the utmost diligence, to requests for information made by shareholders prior to the shareholders' meeting;
- (c) it shall attend, with equal diligence, to any questions asked by the shareholders on the occasion of the holding of the shareholders' meeting; and
- (d) it shall ensure that the items proposed to the ~~shareholders' meeting~~Shareholders' Meeting are voted on in an orderly and individual manner, giving the shareholders the opportunity to take the floor to express their opinions on each of the matters submitted to a vote.

ARTICLE 34. RELATIONS WITH INSTITUTIONAL SHAREHOLDERS

1. The Board shall also establish appropriate mechanisms for the regular exchange of information with institutional investors that are shareholders of the Company.

2. Under no circumstances may the relations between the Board and institutional shareholders lead to the delivery to such shareholders of information that could place them in a privileged or advantageous position with respect to the other shareholders.

ARTICLE 35. TRANSACTIONS WITH DIRECTORS AND SIGNIFICANT SHAREHOLDERS

1. Save in cases where authorization is attributed to the shareholders' meeting, the Board of ~~directors~~Directors shall take cognizance of and authorize, as the case may be, transactions directly or indirectly performed by the Company with ~~directors~~Directors, significant shareholders or shareholders represented on the Board of ~~directors~~Directors, or with parties related to them.
2. This authorization by the Board shall not however be deemed necessary in the following cases:
 - (a) when the transactions are ordinary transactions performed on standard terms and of minor significance, deemed to be transactions the data from which is not necessary to give a fair view of the net worth, financial situation or results of the Company.
 - (b) when they are related party transactions that simultaneously meet the following three conditions:
 - (i) they are performed by virtue of contracts with standard conditions that are applied ~~en~~in masse to a large number of clients;
 - (ii) they are performed at prices or rates established in general by whoever acts as provider of the good or service in question; and
 - (iii) the amount thereof does not exceed one percent (1%) of the annual income of the Company.
3. The Board shall approve the transactions envisaged in subarticle 1, following a favorable report by the Audit and Control Committee, and, the ~~directors~~Directors affected, in addition to neither exercising nor delegating their right to vote, shall leave the meeting room while the Board deliberates and votes on the transaction.
4. The transactions referred to in the preceding subarticles shall be assessed from the standpoint of equal treatment and of the market conditions, and shall be reported on in the required periodic public information of the Company, on the terms provided for in the law.

ARTICLE 36. RELATIONS WITH THE MARKETS

1. The Board, ~~by means of the material facts notified~~through communications to the Spanish ~~National~~-Securities Market Commission and ~~communications via~~ the corporate website, shall ~~immediately~~ inform the public ~~of all material~~immediately with regard to any information that is required by applicable legislation and, in particular legislation on the ~~terms established in Legislative Royal Decree 4/2015, of October 23, 2015, approving the revised text of the~~-Securities Market ~~Law and its~~ implementing ~~regulations~~legislation.

2. The Board shall appoint one or more individuals to act as authorized representatives at the Spanish National Securities Market Commission and shall notify the Commission of such appointment in accordance with the legislation in force.
3. The Board shall adopt the necessary measures to ensure that the half-yearly, quarterly and any other financial information it is deemed prudent to make available to the markets is prepared in accordance with the same principles, methods and professional practices as those used to prepare the financial statements and that such information is as reliable as the financial statements.
4. The reporting obligations shall be fulfilled by any technical, computerized or electronic means, without prejudice to the rights of the shareholders to request information in printed format.

ARTICLE 37. RELATIONS WITH THE AUDITOR

1. Board relations with the external auditors of the Company shall be channeled through the Audit and Control Committee.
2. The Board shall disclose the overall fees paid by the Company to the audit firm for non-audit services.
3. The Board shall ~~endeavor to definitively~~ prepare the financial statements ~~so that there is no room for reservations or qualifications by the auditor. Exceptionally, where any reservations or qualifications exist, both~~ in accordance with accounting legislation. Where the auditor has included a qualification in its audit report, the Chairman of the Audit and Control Committee and the external auditors shall will clearly explain in the shareholders' meeting, the opinion of the Audit and Control Committee regarding its content and scope and a summary of such ~~reservations or qualifications~~ opinion will be made available to the ~~shareholders. This notwithstanding, where the Board considers that it should maintain its criterion, it shall publicly explain the contents and scope of the discrepancy at the same time as the publication of the call notice of the shareholders' meeting, together with the other proposals and reports of the Board of Directors.~~

ARTICLE 38. RELATIONS WITH SENIOR EXECUTIVES OF THE COMPANY

Relations between the Board and the senior executives of the Company must be channeled through the Board Chairman or the ~~managing director~~ Managing Director, if any, and, failing that, by the Board ~~secretary~~ Secretary, in the manner provided for in these ~~regulations~~ Regulations.

CHAPTER XI
DELEGATE AND CONSULTATIVE BODIES OF THE BOARD

ARTICLE 39. DELEGATE AND CONSULTATIVE BODIES

1. Without prejudice to the powers of attorney that may be conferred on any individual, the Board of ~~directors~~Directors may appoint a permanent ~~executive committee~~Executive Committee from among its number, determining the members of such ~~committee~~Committee, with a minimum of three (3) and a maximum of five (5) ~~directors~~Directors, the majority of whom shall be non-executive independent ~~directors~~Directors. It may also appoint a managing ~~director~~Director at the proposal of the Chairman of the Board of ~~directors~~Directors, and may delegate to him/her, in whole or in part, on a permanent or temporary basis, all powers that may be delegated in accordance with the ~~law~~Law, the ~~bylaws~~Bylaws and the Board ~~regulations~~Regulations. In order for the delegation and appointment of the Board members who are to hold such positions to be valid, the favorable vote of two-thirds (2/3) of the members of the Board of ~~directors~~Directors shall be required and such appointments shall not be effective until they have been registered at the Commercial Registry. Such appointments shall be renewed at the time and in the manner and number decided by the Board.
2. In the exercise of its powers to appoint the members of the ~~executive committee~~Executive Committee, the Board of ~~directors~~Directors shall ensure that ~~the~~ composition of the ~~executive committee~~Executive Committee shall be such that the ratio of the different types of ~~director~~Director is similar to that of the Board.
3. The Board shall create an Audit and Control Committee, an Appointments Committee and a Compensation Committee. These ~~committees~~Committees shall have the composition and functions described in these ~~regulations~~Regulations and in the specific Regulations that, as the case may be, are approved for each one.
4. The Board may also resolve to create other ~~committees~~Committees, in which case it shall establish the number of ~~directors~~Directors comprising such ~~committees~~Committees or, as the case may be, the maximum and minimum number of members, as well as the powers or functions assigned to them.
- ~~5. Where the Board creates new committees, the rules established in subarticles 2, 3, 5, 6, 7 and 8 of article 41 shall apply, and references to the Appointments Committee and the Compensation Committee shall be understood to be made to the committee in question, unless the Board determines otherwise.~~

ARTICLE 40. THE AUDIT AND CONTROL COMMITTEE

The composition, offices, functions and manner of operation of the Audit and Control Committee shall be specifically regulated in the relevant Audit and Control Committee ~~regulations~~[Regulations](#).

ARTICLE 41.- THE APPOINTMENTS COMMITTEE ~~AND~~

[The composition, offices, functions and manner of operation of the Appointments Committee shall be specifically regulated in the relevant Appointments Committee Regulations.](#)

ARTICLE 42.- THE COMPENSATION COMMITTEE

- ~~1.— The Board of directors shall appoint from among its number an Appointments Committee and a Compensation Committee (or a single appointments and compensation committee, in which case, the references made in these regulations to the Appointments Committee and/or to the Compensation Committee shall be deemed made to the same committee, that is, to the appointments and Compensation Committee).~~
- ~~2.— The Appointments Committee and the Compensation Committee shall each be made up of a minimum of three (3) and a maximum of five (5) members who shall all be non-executive directors, a majority of whom shall be independent directors. They shall be appointed by the Board in all cases.~~
- ~~3.— Directors who are members of the Appointments Committee and the Compensation Committee shall hold such office while they remain directors of the Company, unless otherwise agreed by the Board of directors. The renewal, re-appointment and removal of the directors forming the committee shall be governed by what is agreed by the Board.~~
- ~~4.— The Appointments Committee and the Compensation Committee shall appoint a Chairman from among their number. The Chairman shall be an independent director. The Chairman must be re-appointed or replaced every two (2) years, and may be re-appointed for successive terms of equal duration.~~
- ~~5.— They shall also appoint a secretary and may appoint a deputy secretary, who need not be committee members or directors. Where no such appointments are made, the Board secretary and deputy secretary shall act as the committee secretary and deputy secretary.~~
- ~~6.— Without prejudice to any other tasks that may be assigned to it from time to time by the Board
 - ~~(i) — The Appointments Committee shall have the following basic responsibilities and functions:
 - ~~(a) — to consider the suggestions made by the Chairman, Board members, executives or shareholders of the Company;~~
 - ~~(b) — to evaluate the competence, knowledge and experience that Board members must have. For such purpose, it shall define the functions and skills required of the candidates to fill each vacancy, and evaluate the time and dedication necessary for them to properly perform their duties;~~~~~~

- ~~(c) to submit proposals to the Board of directors for the appointment, re-appointment or removal of independent directors for their designation by co-option or for submission to the shareholders' meeting for its decision, as well as proposals for the re-appointment or removal of such directors by the shareholders' meeting; to report on proposals for the appointment of the rest of the directors, for their designation by co-option or for submission to the shareholders' meeting for its decision, as well as proposals for their re-appointment or removal by the shareholders' meeting;~~
- ~~(d) to report on the appointment of the Chairman, deputy chairmen, secretary and deputy secretary of the Board of directors;~~
- ~~(e) to report on the proposed appointment of members of the Audit and Control Committee;~~
- ~~(f) to report to the Board of directors on the performance of the functions of the Chairman;~~
- ~~(g) to examine and organize the process for succession of the Chairman of the Board of directors and of the managing director of the Company, if any, and, if appropriate, to make proposals to the Board so that the handover takes place in a planned and orderly fashion;~~
- ~~(h) to report on proposals for appointment and removal of members of the management team and the basic terms of their contracts;~~
- ~~(i) to establish a target for the representation of the underrepresented gender on the Board and prepare guidelines on how to achieve this target;~~
- ~~(j) to report to the Board of directors on matters of gender diversity;~~
- ~~(k) to coordinate non-financial and diversity reporting processes in accordance with the applicable legislation and international benchmarks;~~
- ~~(l) to establish and supervise an annual program for evaluation and ongoing review of qualifications, training and, as the case may be, independence, as well the maintenance of the conditions of good standing, suitability, reliability, competence, availability and commitment to office necessary for the discharge of the office of director and of committee member, and to propose to the Board of directors the measures it deems appropriate in such connection, with the authority to obtain any information or documentation it deems necessary or appropriate for such purpose;~~

- ~~(m) to ensure that, in covering new vacancies or appointing new directors, the selection procedures do not suffer from implicit bias that might entail any discrimination and, in particular, do not hinder the selection of female directors;~~
- ~~(n) to establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, any potentially significant irregularities, other than financial or accounting irregularities, that they detect at the Company;~~
- ~~(o) to supervise compliance with internal codes of conduct and rules on corporate governance;~~
- ~~(p) to periodically evaluate the effectiveness of the Company's corporate governance system in order to ensure it fulfills its mission to promote the corporate interest and takes into account the legitimate interests of the stakeholders;~~
- ~~(q) to monitor and evaluate the company's interaction with its stakeholder groups;~~
- ~~(r) to monitor the corporate social responsibility strategy and practices, assessing the degree of compliance, and ensure that the corporate social responsibility policy is geared towards value creation;~~
- ~~(s) in relation to the Company's corporate governance obligations:
 - ~~(i) to periodically review the Company's internal corporate governance regulations and propose to the Board, for approval or submission to the shareholders' meeting, as appropriate, any amendments or updates that contribute to their ongoing improvement and development;~~
 - ~~(ii) to promote the Company's corporate governance strategy;~~
 - ~~(iii) to supervise compliance with the requirements of the law and of the Company's internal corporate governance regulations;~~
 - ~~(iv) to know, promote, guide and supervise the actions of the Company in corporate social responsibility and sustainability matters and report on same to the Board or, as the case may be, to the executive committee;~~
 - ~~(v) to know, promote, guide and supervise the actions of the Company in corporate reputation matters and report on same to the Board or, as the case may be, to the executive committee;~~~~

~~(vi) to report, prior to its approval, on the Company's annual corporate governance report, obtaining for such purposes the Audit and Control Committee reports relating to the sections of the report pertaining to its functions;~~

~~(t) any other powers attributed to it by virtue of bylaws, these regulations, the law and any other regulations applicable to the Company;~~

~~(ii) The Compensation Committee shall have the following functions and basic responsibilities:~~

~~(a) to consider any suggestions made by the Chairman, Board members, executives or shareholders of the Company;~~

~~(b) to propose to and inform the Board of directors of the compensation policy for directors and general managers or those persons who perform senior management functions and report directly to the Board, the executive committees or the managing directors, as well as the individual compensation of executive directors and their other contractual conditions, ensuring their observance;~~

~~(c) to analyze, prepare and review the compensation programs on a periodic basis, considering their suitability and returns, and proposing their modification or update;~~

~~(d) to monitor observance of the compensation policy established by the Company and ensure that the compensation policy applicable to directors and executives is in line with the Company's short, medium and long term strategy and with market conditions and assess whether it helps create value in the long term and adequately control and manage risks;~~

~~(e) to assist the Board in preparing the report on the directors' compensation policy and submit to the Board any other reports on compensation provided for in these regulations and in the Company bylaws;~~

~~(f) to participate in possible updates to the regulations of the Board of Directors in relation to matters for which it is responsible;~~

~~(g) any other matters attributed to it pursuant to the bylaws, these Regulations, the law and other legislation applicable to the Company.~~
composition, offices, functions and manner of operation of the Compensation Committee shall be specifically regulated in the relevant Compensation Committee Regulations.

~~If there is only one appointments and compensation committee, all of the functions attributed to the appointments and compensation committee will be deemed to be attributed to said appointments and compensation committee.~~

- ~~7.— The Appointments Committee and the compensation committee shall meet ordinarily at least once a year. They shall also meet when called by the committee Chairman, who must do so whenever the Board or the Board Chairman request the issue of a report or the adoption of proposals and, in any event, when it is appropriate for the proper pursuit of their functions.~~
- ~~8.— They shall be called by the relevant committee chairman, either at his/her own initiative, or at the request of the Board Chairman or of any committee member. The call shall be made by letter, telegram, fax, email or any other means capable of providing evidence of its receipt.~~
- ~~9.— The Appointments Committee and the Compensation Committee shall be deemed to be validly constituted when the majority of their members are present, in person or by proxy. However, they shall be deemed validly constituted without the need for a call if all of their members are present, in person or by proxy, and unanimously agree to hold a meeting and on the meeting agenda. Resolutions shall be adopted by a majority of those present, in person or by proxy. In the event of a tie, the committee chairman shall have the casting vote.~~
- ~~10.— Ordinary meetings of the Appointments Committee and the Compensation Committee shall be held at the registered office but meetings may also be held at any other venue determined by the chairman, whether in Spain or abroad.~~
- ~~11.— In addition, provided there are justified reasons to explain the inability to attend by any member, the relevant chairman may authorize the simultaneous holding of committee meetings at different venues connected by audiovisual or telephonic means, provided that the identification of the members present and real-time interactivity and intercommunication and, consequently, the integrity of the meeting, is guaranteed.~~
- ~~12.— Committee members not physically present at the meeting venue who use means of communication that allow for the meeting to be held simultaneously and reciprocally with the meeting venue and with other members using means of distance communication, shall be considered attendees for all purposes and may cast their vote via the means of communication used.~~
- ~~13.— The Appointments Committee and the Compensation Committee may also adopt resolutions in writing and without holding a meeting where no member objects to the procedure, in accordance with the provisions of the law and the bylaws, and votes may be cast in writing or via email, provided that the identity of the member casting his/her vote can be guaranteed.~~

- ~~14. Where deemed necessary for the proper performance of their functions, the Appointments Committee and the Compensation Committee may seek advice from external experts, making such circumstance known to the secretary or deputy secretary of the Board, who shall be responsible for engaging the relevant services.~~
- ~~15. Minutes shall be taken of the resolutions adopted at each meeting, and details thereof shall be reported to the plenary session of the Board, sending or delivering a copy of the minutes to all Board members.~~

~~* * *~~

Exhibit 1

For information purposes. Spanish version prevails

**REGULATIONS OF THE BOARD OF DIRECTORS OF MERLIN
PROPERTIES, SOCIMI, S.A.**

Revised text of the Board of Directors Regulations. The most recent amendment was approved by the Board of Directors at the meeting held on [✱] [✱], 2020[, duly registered at the Commercial Registry].

For information purposes. Spanish version prevails

**REGULATIONS OF THE BOARD OF DIRECTORS OF
MERLIN PROPERTIES, SOCIMI, S.A.**

**CHAPTER I
PRELIMINARY**

ARTICLE 1. ORIGIN AND PURPOSE

1. These Regulations have been approved by the Board of Directors (the **Board**) of Merlin Properties, SOCIMI, S.A. (the **Company**), in compliance with the provisions of article 528 of Legislative Royal Decree 1/2010, of July 2, 2010, approving the revised Capital Companies Law (the **Capital Companies Law**). The purpose of these Regulations is to determine the principles of action of the Board and the basic rules governing its organization and functioning and the conduct of its members.
2. The rules of conduct established in these Regulations for Company Directors shall also apply to the senior executives of the Company, to the extent they are compatible with their specific nature and the activities they perform. For the purposes of these Regulations, senior executives shall be those executives who report directly to the Board or to the Managing Director, if any, and, in all cases, the head of the Company's internal audit function (**senior executives**).

ARTICLE 2. INTERPRETATION AND AMENDMENT

1. These Regulations implement and supplement the regulations applicable to the Board pursuant to the legislation in force and the Company Bylaws which, in the event of any discrepancy, shall prevail over the provisions of these Regulations. The Regulations shall be interpreted in accordance with the applicable statutory and bylaw provisions and with the principles and recommendations on the corporate governance of listed companies, having regard primarily to the spirit and purpose of the Regulations and the corporate interest.

The Board of Directors shall resolve any questions or disputes arising in relation to the application or interpretation of the Regulations.

2. These Regulations may only be amended by the Board of Directors at the proposal of the Chairman of the Board of Directors, of half plus one of the Directors or of the Appointments Committee.
3. Proposed amendments must be accompanied by an explanatory report and be reported on by the Appointments Committee. Such report shall not be necessary where the proposed amendment has been made by the Appointments Committee.
4. The wording of the proposal, the explanatory report by its authors and, as the case may be, the report by the Appointments Committee, must be attached to the call notice for the Board meeting that is to discuss the proposal, and it must be expressly included in the Meeting Agenda.

5. In order for the amendment to be valid, the relevant resolution must be adopted by the majority of the Directors present at the meeting, in person or by proxy.
6. These Regulations must be reviewed whenever necessary in order to bring their content into line with the applicable legislation in force.

ARTICLE 3. DISSEMINATION

1. The Directors of the Company (the **Directors**) and the senior executives are obliged to know, comply and ensure compliance with these Regulations. For such purposes, the Board Secretary shall provide all of them with a copy of the Regulations on acceptance of their respective appointments or on signature of their contracts, as applicable, and they must deliver to the Secretary a signed declaration in which they state that they are aware of and accept the content of these Regulations, undertaking to fulfill all such obligations as may be required by virtue thereof.
2. Without prejudice to fulfillment of the obligations established by the applicable legislation from time to time, the Board shall adopt the necessary measures to disseminate these Regulations among the shareholders and the investing public in general. For such purposes, it shall use the most efficient means available in order to ensure that these Regulations reach each recipient equally, immediately and smoothly. In particular, the Board Regulations and any amendments thereto shall be notified to the Spanish National Securities Market Commission and registered at the Commercial Registry, in accordance with the applicable legislation. The current wording of the Regulations shall be available on the corporate website of the Company.

CHAPTER II FUNCTION OF THE BOARD

ARTICLE 4. GENERAL FUNCTION OF THE BOARD

1. The Board has the broadest powers to manage the Company and, save with respect to the matters reserved to the Shareholders' Meeting, is the supreme decision-making body of the Company, with the authority to do and perform all things comprising the corporate purpose.
2. The Board shall ensure that the Company respects the legislation in force in its dealings with third parties and stakeholders; complies in good faith with its obligations and implicit and explicit contracts; respects the customs and best practices typical of the sectors and territories in which it pursues its activity; and observes any other corporate social responsibility principles that the Company voluntarily decides to accept.
3. The Board shall assume, on a non-delegable basis, any powers reserved by Law or the Bylaws for its direct consideration, as well as any other powers necessary for the responsible exercise of its general supervisory function. In particular, and without limitation, the Board of Directors reserves the power to approve the following matters:
 - 3.1 General corporate matters:
 - (a) the preparation of the financial statements, the Directors' report and proposed distribution of income or allocation of loss, as well as the consolidated financial statements and consolidated Directors' report, as applicable;
 - (b) the preparation of the annual corporate governance report for its submission to the Shareholders' Meeting and the report on Directors' compensation;
 - (c) financial and non-financial information that the Company makes public periodically, including the responsibility statement, and statements relating to interim financial information (following a recommendation by the Audit and Control Committee);
 - (d) the call of the Shareholders' Meeting and the publication of notices relating to same;
 - (e) the preparation of any type of report required of the Board of Directors in accordance with the Law, where the transaction to which the report refers cannot be delegated;
 - (f) the exercise of the powers delegated by the Shareholders' Meeting, unless the Board has been expressly authorized to subdelegate them;

- (g) the resolution of conflicts of interest, where such power is not attributed by Law or the Bylaws to the Shareholders' Meeting;
- (h) save where they are attributed to the Shareholders' Meeting, transactions performed by the Company with related parties, in accordance with the provisions of article 35 of these Regulations;
- (i) to dispense in each particular case, as an exception, with the obligations arising from the duty of loyalty in accordance with the Law and the Company's internal regulations;
- (j) the gathering of any additional information deemed necessary on matters falling to the Board, addressing requests to the Chairman or Secretary of the Board, unless the Bylaws or Board Regulations stipulate otherwise;
- (k) the delegation of powers to any of its members on the terms established in the Law and in the Bylaws, and revocation of such powers;
- (l) the approval and amendment of the Board Regulations;
- (m) any other matter reserved to the plenary session of the Board pursuant to the Law or the Bylaws.

3.2 Matters related to appointments and compensation:

- (a) the appointment of Directors by co-option and submission of proposals to the Shareholders' Meeting relating to the appointment, ratification, reappointment or removal of Directors following a proposal by the Appointments Committee in the case of independent Directors or following a report by said Committee in the case of the rest of the Directors, as well as acknowledge the resignation of Directors;
- (b) the designation and renewal of positions on the Board of Directors and of Committee members
- (c) the appointment or removal of the Chairman, Secretary or Deputy Secretary of the Board of Directors (subject in all cases to a proposal or favorable report, as applicable, by the Appointments Committee);
- (d) the annual evaluation of the functioning of the Board, its Chairman, Managing Director and its Committees, following a report by the Appointments Committee;
- (e) the periodic evaluation of the performance of the Company's senior executives, following a report by the Appointments Committee;
- (f) [at the proposal of the Board Chairman], the appointment and potential removal of senior executives, as well as their basic contractual conditions;

- (g) the establishment of Directors' compensation (in accordance with the compensation policy approved by the Shareholders' Meeting) and the managerial team (in both cases following a recommendation by the Compensation Committee);

3.3 Matters related to general policies and strategies:

- (a) the approval of the Company's long-term business strategy, its annual Business Plan and its five-year strategic plans;
- (b) the approval of the management objectives and annual budget;
- (c) the definition of the structure of the group of companies of which the Company is the parent;
- (d) the general policy on communication of economic-financial, non-financial and corporate information of the Company to be made available to shareholders, investors, proxy advisors and other stakeholders and contacts with same;
- (e) the sustainability policy, including the environment, corporate social responsibility and corporate governance;
- (f) the risk control and management policy, as well as the periodic monitoring of the internal reporting and control systems
- (g) the compensation policy for Directors (for approval by the Shareholders' Meeting) and for senior executives;
- (h) the dividend policy, proposing the relevant resolutions to the Shareholders' Meeting as regards application of income, with the authority to resolve on the payment of interim dividends;
- (i) the treasury stock policy and the execution thereof in the context of the authorizations of the Shareholders' Meeting;
- (j) the approval of any material modification to the Company's accounting policies or practices (following a recommendation by the Audit and Control Committee).

3.4 Matters related to investments or transactions

- (a) declarations regarding any tender offer made for the securities issued by the Company;
- (b) the creation or acquisition of holdings in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens, and the performance of any other transactions or operations of a similar nature which, due to their complexity, could diminish the transparency of the group;

- (c) all types of investments, divestments or transactions which, due to their high value or special characteristics, have a strategic nature, unless their approval falls within the remit of the Shareholders' Meeting; in particular, investments or divestments in real estate assets to the extent that they exceed the limits determined by the Board of Directors at any given time and, as the case may be, investments for the developments, restoration and maintenance of properties, as well as all types of expenses, where they exceed the amount envisaged in the budget or involve special cases that exceed the ordinary course of business;
 - (d) any matter relating to the acquisition of, or merger with, another company;
 - (e) the authorization of joint investments of the Company (or of any other group company) with one or more third parties or of long-term agreements, of a commercial, financial or industrial nature, of strategic importance for the Company or its group;
 - (f) the serial issue of obligations, promissory notes or other similar instruments by the Company or its majority owned or controlled subsidiaries;
 - (g) the authorization of hedging transactions or derivative trading, unless such transactions or derivatives are related to the coverage of the debt incurred by the Company;
 - (h) changes relating to the Company's debt policy.
4. The Board shall perform its functions in accordance with the corporate interest, understood to be the sustained maximization of the economic value of the Company, acting with unity of purpose and independent judgment.
 5. The Board shall ensure compliance by the Company of its ethical obligations and its duty to act in good faith.

The Board shall also ensure that no shareholder receives privileged treatment with respect to the other shareholders.

**CHAPTER III
COMPOSITION OF THE BOARD**

ARTICLE 5. QUALITATIVE COMPOSITION

1. The Board, in exercising its powers to propose appointments to the Shareholders' Meeting and of appointment by co-option to fill vacancies, shall ensure, with respect to the composition of the Board, that non-executive Directors represent a majority over executive Directors and that executive Directors make up the required minimum. It shall also ensure that the procedures for selecting Board members favor diversity of gender, experience and knowledge, and do not suffer from any implicit bias that could entail any form of discrimination and, in particular, that they facilitate the selection of female Directors.
2. The Board shall ensure, in the exercise of the abovementioned functions, that among the non-executive Directors the ratio of nominal and independent Directors reflects, as far as possible, the proportion existing between the capital stock represented by nominee Directors and the remaining capital stock and that independent Directors number at least half of the total members of the Board of Directors.
3. The definitions of the different types of Directors shall be those established in the legislation in force or, failing that, in the good corporate governance recommendations applicable to the Company from time to time.
4. The provisions of this article are understood to be without prejudice to the right of proportional representation legally recognized to the shareholders and to the powers of the Shareholders' Meeting.
5. The Board shall avoid any discrimination between shareholders in their access to the Board through nominee Directors.

ARTICLE 6. QUANTITATIVE COMPOSITION

1. The Board shall be made up of the number of Directors determined by the Shareholders' Meeting within the limits established by the Company Bylaws.
2. The Board shall propose to the Shareholders' Meeting the most appropriate number of Directors, in accordance with the changing circumstances of the Company and within the Bylaw limits, to ensure the proper representation and effective functioning of the Board.

**CHAPTER IV
STRUCTURE OF THE BOARD OF DIRECTORS**

ARTICLE 7. THE CHAIRMAN OF THE BOARD

1. The Chairman of the Board shall be chosen from among its members, following a report by the Appointments Committee.
2. In addition to the powers provided for in the Company Bylaws and, as the case may, that are delegated to him by the Board, the Chairman shall have the following powers:
 - (a) To call and chair the meetings of the Board of Directors, in the manner established in the Bylaws and these Regulations, setting the agenda for the meetings and leading discussions and deliberations.
 - (b) To chair the Shareholders' Meeting and direct its discussions and deliberations.
 - (c) To submit to the Board of Directors the proposals that he considers appropriate for the sound running of the Company and, in particular, those relating to the functioning of the Board itself and other corporate bodies, and to propose the appointment of the internal offices within the Board of Directors.
 - (d) To direct the Board of Directors and define its agenda, bearing in mind all the relevant aspects and the Directors' concerns.
 - (e) To ensure that all Directors receive, accurate, relevant and clear information, especially regarding the Company's performance, its strategy, challenges and opportunities, in order to enable the Board to make sound decisions and to monitor the Company's performance correctly.
 - (f) To ensure effective communication with the shareholders and make certain the Directors and executives of the Company understand and respond to investors' concerns.
 - (g) To ensure that the Board of Directors spends enough time on discussing complex, sensitive or controversial matters, organizing, where necessary, informal meetings both with Directors as well as with executives and advisors that enable the adequate preparation of meetings and discussions of the Board of Directors.
 - (h) To lead initiation programs for new Directors, ensuring that they are complete and personalized.

- (i) To identify and attend to Directors' individual development needs and to the development needs of the Board of Directors overall, with a view to improving their performance as a team.
- (j) To ensure that the performance of the Directors, of the Board of Directors overall and of the Committees of the Board of Directors is evaluated annually; such evaluation will be provided externally at least every three years.
- (k) To encourage the active commitment by all Directors to discharge their office responsibly, diligently and loyally.
- (l) To lead the discussions of the Board of Directors with a view to encouraging effective decision-making and constructive debate regarding the development of the Company, its growth strategy and commercial objectives, encouraging the active participation of the Directors during meetings and safeguarding their freedom of speech.
- (m) To provide support and advice to the Managing Director in relation to the Company's strategy and transactions, including in relation to the preparation of any debate on the Board of Directors regarding the Company's strategy.
- (n) To supervise the correct implementation of the decisions adopted by the Board of Directors.
- (o) Where appropriate, to exercise senior representation of the Company before public bodies and external entities.
- (p) In the context of the communications policy approved by the Board, in accordance with point 3.3.d), to promote, encourage and supervise same in all areas, including the Company's communications with the Spanish National Securities Market Commission.
- (q) In general, to encourage the highest standards of corporate governance ensuring compliance therewith by the Board of Directors.

ARTICLE 8. THE DEPUTY CHAIRMAN

1. The Board, at the proposal of the Chairman and following a report by the Appointments Committee, may appoint one or more Deputy Chairmen, who shall stand in for the Chairman when he/she is absent or unable to attend.
2. The first Deputy Chairman, if any, shall stand in for the Chairman when he/she is absent or unable to attend, and shall be substituted, if necessary, by the second Deputy Chairman, and so on, successively.

ARTICLE 9. THE LEAD DIRECTOR

The Board of Directors, at the proposal of the Appointments Committee, shall appoint (by requirement or voluntarily) one Director from among the independent Directors as lead director (the **Lead Director**), who shall be specially empowered to:

- (a) Ask the Chairman of the Board of Directors to call a Board meeting whenever he/she sees fit.
- (b) Request the inclusion of items on the agenda for Board meetings that have already been called.
- (c) Chair the Board of Directors in the absence of the Chairman and, as the case may be, the Deputy Chairmen.
- (d) Coordinate and call together the external Directors;
- (e) Coordinate the Chairman succession plan;
- (f) Head, as the case may be, the periodic evaluation of the Chairman of the Board of Directors.
- (g) Voice the concerns of the non-executive Directors;
- (h) Ascertain and listen to the concerns of investors and shareholders, particularly in relation to the corporate governance of the Company.

ARTICLE 10. THE SECRETARY AND LEGAL ADVISER TO THE BOARD

1. The Board shall appoint a Secretary, who may or may not be a Board member, with the capacity to perform the functions inherent in such office. Where the Board Secretary is not a Director, he/she shall have the right to speak but not to vote.
2. The Secretary shall assist the Chairman in his work and must provide for the proper functioning of the Board, particularly taking care to provide the Directors with the necessary information and advice, to keep the corporate documentation, to duly and accurately reflect the conduct of meetings in the minutes book and to certify the Board resolutions. He/she must also make a record in the Board minutes of any concerns that are not resolved by the Board and that were raised by the Directors in relation to the running of the Company, as well as the concerns

expressed by the Secretary or the Directors on any proposal, at the request of the concerned party.

3. The Secretary shall attend to the formal and material legality of the actions of the Board, shall ensure such actions are in keeping with the letter and spirit of the laws and regulations, shall verify their compliance with the Bylaws and with the provisions issued by the regulatory bodies, and shall ensure the observance of the corporate governance criteria of the Company, the provisions of these Regulations and any corporate governance recommendations that may be established.
4. The Secretary shall be appointed and removed, as the case may be, by the plenary session of the Board, following a report in both cases by the Appointments Committee.
5. The Board of Directors may have a Legal Adviser to the Board who shall have the functions granted under the legislation in force. The Secretary or, as the case may be, Deputy Secretary may hold the position of Legal Adviser to the Board where he/she is a lawyer and meets the other requirements provided for in the legislation in force.

ARTICLE 11. THE DEPUTY BOARD SECRETARY

The Board may, following a report by the Appointments Committee, appoint a Deputy Secretary, who need not be a Director, to assist the Board Secretary or substitute the Secretary in the event of his/her absence for whatever reason.

ARTICLE 12. DELEGATE BODIES OF THE BOARD OF DIRECTORS

1. Pursuant to the provisions of the Bylaws, without prejudice to any powers delegated individually to the Chairman or to any other Director (Managing Directors), the Board may appoint from among its number an Executive Committee with general decision-making powers but with the internal limits resulting from article 4, determining which persons should hold such offices and how they should act, and may create other committees made up of Directors with the functions they see fit. In order for the delegation and appointment of the Board members who are to hold such positions to be valid, the favorable vote of two-thirds of the members of the Board of Directors shall be required and such appointments shall not be effective until they have been registered at the Commercial Registry.
2. The Board shall appoint from among its number an Audit and Control Committee, an Appointments Committee and a Compensation Committee, the latter two in a consultative capacity.
3. The Board may also appoint other purely internal committees with the functions determined by the Board of Directors. The Chairman, Secretary and remaining members of such Committees shall be appointed by the Board by simple majority.
4. All such Committees shall be governed by the provisions of the Law, the Bylaws and these Board Regulations. For all matters not provided for in the foregoing, the operating rules established by these Regulations in relation to the Board shall

apply, provided that they are compatible with the nature and function of the relevant Committee.

CHAPTER V FUNCTIONING OF THE BOARD

ARTICLE 13. BOARD MEETINGS

1. The Board shall meet, on an ordinary basis, at least eight (8) times a year and, at the initiative of the Chairman, as many times as he/she sees fit for the proper functioning of the Company. In any event, it must meet at least once every quarter. The Board must also meet whenever so requested by at least one-third (1/3) of its members, by the Director specially empowered for such purpose or by two (2) independent Directors, in which case it shall be called by the Chairman, to be held within the fifteen (15) days following the request.

Directors constituting at least one-third (1/3) of the Board members may call a Board meeting, indicating the agenda, to be held in the place where the registered office is located if, following a request made to the Chairman, the Chairman fails to call the meeting within one month without just cause.

In any event, the Board must meet within a maximum of three (3) months from the end of the fiscal year, in order to prepare the financial statements, Directors' report and the proposed distribution of income.

2. Ordinary Board meetings shall be called by letter, fax, telegram or email or any other means that allows for its receipt by the Board Secretary or acting Board Secretary, at the order of the Chairman. The call notice shall be sent at least five (5) days in advance. The information deemed necessary shall be sent or made available to the Directors along with the call notice, which shall include the meeting agenda at all times, save for just cause.

Without prejudice to the above, the Board of Directors shall be deemed validly constituted without the need for a call if all of its members are present, in person or by proxy, and unanimously agree to hold a Board meeting and on the meeting agenda.

3. The Chairman of the Board of Directors may call special Board meetings when, in his opinion, the circumstances so dictate and the advance notice period and other requirements indicated in the preceding section shall not apply. This notwithstanding, efforts shall be made to ensure that any documentation to be provided to Directors is delivered sufficiently in advance.
4. The Chairman of the Board of Directors shall decide on the agenda for the meeting. Any Director may request that the Chairman include items on the agenda and the Chairman shall be obliged to include them where the request is made not less than two (2) days in advance of the date scheduled for the meeting.

5. Ordinary Board meetings shall be held at the registered office but meetings may also be held at any other venue determined by the Chairman, whether in Spain or abroad.
6. In addition, provided there are justified reasons to explain the inability to attend by any Director, the Chairman may authorize the simultaneous holding of Board meetings at different venues connected by audiovisual or telephonic means, provided that the identification of the Directors present and real-time interactivity and intercommunication and, consequently, the integrity of the meeting, is guaranteed.

Board members not physically present at the meeting venue who use means of communication that allow for the meeting to be held simultaneously and reciprocally with the meeting venue and with other members using means of distance communication, shall be considered attendees for all purposes and may cast their vote via the means of communication used.

7. Board meetings shall be validly constituted when at least half plus one of its members are present, in person or by proxy. However, the Board shall be deemed validly constituted without the need for a call if all of its members are present, in person or by proxy, and unanimously agree to hold a Board meeting and on the meeting agenda.
8. The Board of Directors may also adopt resolutions in writing and without holding a meeting where no Director objects to the procedure, in accordance with the provisions of the law and the Bylaws, and votes may be cast in writing or via email, provided that the identity of the Director casting his/her vote can be guaranteed.

ARTICLE 14. CONDUCT OF MEETINGS

1. Directors must attend Board meetings and, where they cannot do so in person, must endeavor to grant a proxy in writing, specifically for each meeting, to another member of the Board, including the relevant voting instructions and notifying the Chairman of the Board. Non-executive Directors may only grant a proxy to another non-executive Director. Proxies may be conferred by any postal or electronic means or by fax, provided that the identity of the Director and the direction of the voting instructions can be guaranteed.
2. The Chairman shall organize the debate, procuring and promoting the participation of all Directors in Board deliberations.
3. Unless a voting quorum is specifically established in the Law or the Bylaws, resolutions shall be adopted by an absolute majority of the Directors present, in person or by proxy, at the meeting. In the event of a tie, the Chairman shall have the casting vote.
4. The Chairman may invite to Board meetings or to certain items on the agenda any individuals who may enhance the information available to Directors.

5. Minutes of the Board meetings shall be taken by the Secretary and shall be signed, at least, by the Chairman or Deputy Chairman, as the case may be, and the Secretary or Deputy Secretary, as the case may be, and shall be transcribed or taken down in a special Board minutes book, in accordance with the law.

The minutes shall be approved by the Board at the end of the same meeting or the immediately subsequent meeting.

In order to facilitate the implementation of resolutions and their notarization, as the case may be, the minutes may be partially approved, with each approved part containing one or more resolutions.

CHAPTER VI APPOINTMENT AND REMOVAL OF DIRECTORS

ARTICLE 15. APPOINTMENT OF DIRECTORS

1. Directors shall be appointed by the Shareholders' Meeting or by the Board (in cases of appointment by co-option) in accordance with the provisions of the Law and the Bylaws.
2. Proposals for the appointment or re-appointment of Board members shall correspond to the Appointments Committee, in the case of independent Directors, and to the Board in all other cases.
3. Proposals must be accompanied in all cases by an explanatory report by the Board of Directors that assesses the competency, experience and merits of the proposed candidate, and such report shall be attached to the minutes of the Shareholders' Meeting or the Board meeting.
4. Proposals for the appointment or re-appointment of any non-independent Director must also be preceded by a report by the Appointments Committee.
5. The Board and the Appointments Committee, within the scope of their powers, shall ensure that the candidates chosen are reputable, competent and experienced individuals and shall exercise rigor in relation to those candidates called to fill the offices of independent Director provided for in article 5 of these Regulations.
6. The members of the Board of Directors shall be subject, to the extent applicable to them, to Law 53/1984, of December 26, 1984, on Incompatibilities of Personnel in the Service of the Public Authorities, to Law 3/2015, of March 30, regulating the discharge of senior Government office, and to other legislation on incompatibility.
7. Company Directors may be members of a maximum of four (4) Boards of directors of other listed companies (other than the Company). This notwithstanding, Executive Directors must obtain authorization from the Board of Directors, subject to a report by the Appointments Committee (or from the Appointments and

Compensation Committee), before joining the Board of Directors of any listed company.

ARTICLE 16. RE-APPOINTMENT OF DIRECTORS

Before proposing the re-appointment of Directors to the Shareholders' Meeting, the Board shall evaluate the quality of the work and the dedication to office of the proposed Directors during the preceding term of office, with the abstention of the parties concerned.

ARTICLE 17. TERM OF OFFICE

1. Directors shall hold office for the period provided for in the Bylaws and may be re-appointed on one or more occasions for periods of equal duration.
2. Directors appointed by co-option shall discharge their office until the next Shareholders' Meeting has been held or once the statutory period has elapsed for holding the Shareholders' Meeting that is to resolve on the approval of the previous year's financial statements. Where a vacancy arises on the Board after the Shareholders' Meeting has been called but before it is held, the Board may appoint a Director until the next Shareholders' Meeting is held.

ARTICLE 18. REMOVAL OF DIRECTORS

1. Directors shall cease to hold office once the period for which they were appointed has elapsed, when so decided by the Shareholders' Meeting in use of the powers conferred on it by Law and the Bylaws, and when they resign.
2. The Board of Directors shall not propose the removal of any independent Director prior to the end of the Bylaws term for which he/she was appointed, unless the Board deems there is just cause, following a report by the Appointments Committee. In particular, just cause shall be deemed to exist when a Director has breached the duties inherent in his/her office or becomes subject to any of the impediments described in the definition of independent Director established by the legislation in force or, failing that, in the good corporate governance recommendations applicable to the Company from time to time.

The above notwithstanding, the removal of independent Directors may be proposed as a result of tender offers, mergers and other similar corporate transactions that entail a change in the Company's capital structure when such changes in the Board structure are brought about due to the criteria of proportionality.

3. Directors must place their office at the disposal of the Board and tender their resignation, if the Board deems it appropriate, in the following cases:
 - (a) when they cease to hold the executive positions to which their appointment as a Director is linked, as the case may be;

- (b) when they are subject to any of the grounds for incompatibility or prohibition provided for by law;
 - (c) when they are severely reprimanded by the Board for having breached their obligations as Directors;
 - (d) when they are prosecuted for an alleged offense or are subject to a disciplinary proceeding for serious or very serious breach by supervisory authorities;
 - (e) when their remaining on the Board could jeopardize or adversely affect the interests of the Company or where the reasons for which they were appointed no longer exist. In particular, in the case of non-executive nominee Directors, when the shareholder they represent sells its entire holding or significantly reduces it. They must also resign, in the relevant number, when such shareholder lowers its holding to a level that requires a reduction in the number of non-executive nominee directors;
 - (f) where they are members of more than four Boards of Directors of other listed companies (other than Merlin) (and, in the case of executive Directors, if they join Boards of Directors of listed companies without obtaining prior authorization from the Company's Board of Directors);
 - (g) when there are significant changes in their professional situation or in the conditions by virtue of which they were appointed as Director; and
 - (h) when, due to facts attributable to the Board, their remaining on the Board causes a serious detriment to the net worth or corporate reputation, in the opinion of the Board.
4. In the event that, due to resignation or a resolution by the Shareholders' Meeting, a Director ceases to hold office before the end of his mandate, he/she must provide sufficient reasons for his/her resignation or, in the case of non-executive Directors, his/her opinion on the reasons for the cessation by the Shareholders' Meeting in a letter to be sent to all the Board members.

ARTICLE 19. OBJECTIVITY IN VOTING

In accordance with the provisions of article 26 of these Regulations, Directors affected by proposals for appointment, re-appointment or removal shall refrain from participating in deliberations and votes concerning them.

CHAPTER VII DIRECTOR INFORMATION

ARTICLE 20. POWERS OF INFORMATION AND INSPECTION

1. Directors are obliged to diligently acquaint themselves with the running of the Company. For such purpose, Directors may request information on any aspect of the Company and to examine its books, registers, documents and other documentation. The right to information extends to subsidiaries in all cases and to investees, where possible.
2. Requests for information must be addressed to the Chairman of the Board, who shall pass on the request to the appropriate person at the Company.
3. Where the Chairman deems the information to be confidential, he/she shall inform the Director requesting and receiving it of such circumstance, as well as their duty of confidentiality in accordance with the provisions of these Regulations.
4. The Chairman may refuse the information if he/she considers: (i) that it is not necessary for the proper performance of the functions entrusted to the Director; or (ii) that the cost thereof is not reasonable in view of the significance of the matter and the assets and income of the Company.

ARTICLE 21. EXPERT ASSISTANCE

1. With a view to assisting them with their functions, non-executive Directors may request the engagement, at the expense of the Company, of legal advisers, accountants, financial or other experts. The engagement must necessarily relate to specific problems of a certain scale and complexity arising in the discharge of their office.
2. The request must be communicated to the Chairman of the Company; however, it may be rejected by the Board, provided that it is evidenced:
 - (a) that it is not necessary for the proper performance of the functions entrusted to non-executive Directors;
 - (b) that the cost thereof is not reasonable in view of the significance of the matter and the assets and income of the Company;
 - (c) that the technical assistance involved may be adequately provided by Company experts and technicians; or.
 - (d) that it could entail a risk with respect to the confidentiality of the information to be handled.

CHAPTER VIII DIRECTOR COMPENSATION

ARTICLE 22. DIRECTORS' COMPENSATION

1. Directors' compensation shall be regulated in accordance with the provisions of the Company Bylaws.
2. Directors' compensation must in all cases be reasonably proportionate to the size of the Company, its economic situation from time to time and market standards of comparable undertakings. The compensation system established must be geared towards promoting the long-term profitability and sustainability of the Company, attracting and retaining Directors with the desired profile, compensating the time commitment, competencies and responsibility that the office demands, and incorporating the necessary safeguards to prevent excessive risk-taking and the reward of poor performance.
3. The Compensation Committee shall draft an annual report on the Directors' Compensation policy with the content required by the applicable legislation in force from time to time.

CHAPTER IX DIRECTORS' DUTIES

ARTICLE 23. GENERAL OBLIGATIONS

1. In performing their functions, Directors shall act with the diligence of an orderly businessman and a loyal representative, taking into account the nature of the office and the functions attributed to them, and acting at all times in a manner faithful to the corporate interest. They must also make a sufficient time commitment and take all measures necessary for the efficient management and supervision of the Company.

In particular, Directors are obliged to:

- (a) inform themselves and adequately prepare for meetings of the Board of Directors and of any delegate bodies to which they belong;
- (b) attend Board meetings and actively participate in deliberations in order for their opinions to effectively contribute to the decision-making process;

Where, with just cause, Directors cannot attend the meetings to which they have been called, they must notify the Director who is to represent them.

- (c) contribute their strategic vision, as well as concepts, opinions and innovative measures for the optimum pursuit and development of the Company's business;
- (d) perform any specific task entrusted to them by the Board or by any of its delegate and/or consultative bodies that reasonably falls within the scope of their dedication;

- (e) investigate any irregularity in the management of the Company of which they may have knowledge, monitor any risk situation and notify the Board or competent body of the Company of any irregularity in the management of the Company of which they may have knowledge;
- (f) request that the persons with capacity to do so call a special Board meeting or include on the agenda of the next meeting to be held any items they see fit; and
- (g) oppose resolutions that are contrary to the Law, the Bylaws or the corporate interest, and request that their position be recorded in the minutes where they consider it most appropriate for the protection of the corporate interest.

The provisions of the above paragraph shall apply to the Board Secretary, even where he/she is not a Director.

2. In all cases, Directors must devote the time and effort necessary to effectively perform their functions and, as a result, Directors must inform the Appointments Committee of their other professional obligations, in case they might interfere with the required dedication.

ARTICLE 24. DUTY OF CONFIDENTIALITY

1. Directors shall keep the deliberations of the Board and of the delegate bodies of which they are a member secret and, in general, shall refrain from disclosing any information that is not in the public domain and to which they may have had access in the discharge of their office.
2. The duty of confidentiality shall subsist even after Directors have ceased to hold office and Directors must keep secret any confidential information and information, data, reports or records of which they have knowledge as a result of the discharge of their office, and may not disclose them to third parties or divulge them if this may have adverse consequences for the corporate interest. An exception is made to the duties referred to in this paragraph in cases where the law permits disclosure to third parties or where, as the case may be, information is required or must be sent to the respective supervisory authorities, and any data disclosure must be in keeping with the provisions of the law.

ARTICLE 25. PROTECTION OF BUSINESS JUDGMENT

1. In the area of strategic and business decisions, subject to business judgment, the standard of diligence of an orderly businessman shall be deemed to be fulfilled when the Director has acted in good faith and with no personal interest in the matter being decided upon, with sufficient information and in accordance with an adequate decision-making procedure.
2. Decisions that personally affect other Directors and related parties and, in particular, decisions aimed at authorizing the transactions provided for in article 29 of these regulations are not deemed to be included within the scope of business judgment.

ARTICLE 26. DUTY OF LOYALTY

1. Directors must discharge their office with the loyalty of a faithful representative, acting in good faith and in the best interests of the Company.
2. The breach of the duty of loyalty shall not only give rise to the obligation to indemnify the damage caused to the net worth, but also to return the unjust enrichment obtained by the Director to the Company.

ARTICLE 27. BASIC OBLIGATIONS DERIVING FROM THE DUTY OF LOYALTY

In particular, the duty of loyalty obliges Directors:

- a) Not to exercise their powers for purposes other than those for which they were conferred.
- b) To keep secret any information, data, reports or background information to which they may have had access in the discharge of their office, on the terms of article 24.
- c) To abstain from participating in the deliberation of and voting on resolutions or decisions in which they or a related person has a direct or indirect conflict of interest. Resolutions or decisions that affect Directors by reason of their office as Director, such as their appointment to or removal from office on the managing body or other similar resolutions, are excluded from the above obligation to abstain.
- d) To perform their functions subject to the principle of personal liability, with freedom of judgment, and independent of third-party instructions and relationships.
- e) To adopt the necessary measures to avoid situations in which their interests, whether for their own account or for the account of others, may enter into conflict with the corporate interest and with their duties to the Company.

ARTICLE 28. DUTY TO AVOID CONFLICTS OF INTEREST

1. The duty to avoid conflicts of interest referred to in letter e) of article 27 above obliges Directors to refrain from:
 - a) performing transactions with the Company, save for ordinary transactions, performed on standard terms for clients and of minor significance, deemed to be transactions the data from which is not necessary to give a fair view of the net worth, financial situation or results of the Company.
 - b) using the name of the Company or referring to their status as Director in order to exert undue influence in the performance of private transactions.
 - c) using the corporate assets, including the confidential information of the Company, for private purposes.
 - d) taking advantage of the company's business opportunities;

- e) obtaining advantages or remuneration from third parties other than the Company and its group associated with the discharge of their office, unless they are mere courtesies.
 - f) pursuing activities for their own account or for the account of others that entail effective competition, real or potential, with the Company or in any other way place them in a situation of permanent conflict of interest with the Company.
2. The above provisions shall also apply if the beneficiary of the prohibited acts or activities is a person related to the Director. In any event, Directors must notify any direct or indirect conflict of interest that they or persons related to them may have with the corporate interest to the other Directors and, as the case may be, to the Board of Directors.
 3. For the purposes of these regulations, persons related to Directors shall be those determined in the applicable legislation from time to time ("Related Persons").

ARTICLE 29. MANDATORY RULES AND WAIVER

1. The rules relating to the duty of loyalty and to liability for breach of such duty are mandatory law.
2. Notwithstanding the provisions of the preceding subarticle, the Company may waive the prohibitions contained in the preceding article in special cases, authorizing a Director or related person to perform a specific transaction with the Company, use certain corporate assets, take up a specific business opportunity, or obtain an advantage or remuneration from a third party.

The authorization must be agreed by the Shareholders' Meeting where it pertains to the waiver of the prohibition to obtain an advantage or remuneration from a third party, or a transaction the value of which is higher than ten percent of the corporate assets.

In other cases, authorization may also be granted by the Board of Directors, provided that the independence of the members granting the authorization from the Director in question is guaranteed. It shall also be necessary to ensure that the authorized transaction is harmless to the net worth or, as the case may be, that it is performed at arm's length, and the transparency of the process.

3. The obligation not to compete with the Company may only be waived if no damage to the Company is to be expected or if the damage is offset by the expected benefits of the waiver. The waiver shall be granted by means of an express and separate resolution by the shareholders' meeting.
4. In all cases, at the request of any shareholder, the Shareholders' Meeting will resolve on the removal of any Director that pursues competing activities where the risk of harm to the Company has become significant.

ARTICLE 30. INDIRECT TRANSACTIONS

Directors shall breach their duties of loyalty to the Company if, having advance knowledge, they allow or fail to disclose the existence of transactions performed with Related Persons that have not been subject to the conditions and controls provided for in the preceding articles.

ARTICLE 31. DUTIES TO PROVIDE INFORMATION

1. Directors must inform the Company of the shares they hold, whether directly or indirectly through Related Parties, all of the foregoing in accordance with the provisions of the Internal Code of Conduct on matters relating to the Securities Markets.
2. Directors must also inform the Company of any offices they hold and any activities they perform at other companies and, in general, of any facts, circumstances or situations that may be material for their actions as Director of the Company.
3. Directors must inform the Company of any circumstances affecting them, whether or not they are related to their conduct within the Company, that may adversely affect the credit or reputation of the Company and, in particular, of any criminal proceedings in which they appear as an accused party and of any developments in the proceeding. The Board shall assess whether, after examining the situation of the Director affected, in view of the specific circumstances and following a report by the Appointments Committee, to adopt any measures such as initiating an internal investigation, requesting the Director's resignation or proposing that he/she be removed.

CHAPTER X INFORMATION POLICY AND BOARD RELATIONS

ARTICLE 32.- WEBSITE

1. The Company shall maintain the corporate website in order to facilitate the exercise by shareholders of their right to information and to disseminate the information required by securities market legislation. The website shall contain the documents and information provided for in the applicable legislation, including information and documentation relating to the call of shareholders' meetings, as well as any other documentation and information that the Board of Directors deems appropriate to make available to shareholders through this medium.
2. The Board of Directors shall be responsible for having the information that must be included on the corporate website in compliance with the obligations imposed by the applicable legislation and shall be responsible for updating it on the terms provided for by the legislation in force.

ARTICLE 33. RELATIONS WITH SHAREHOLDERS

1. The Board shall provide the appropriate channels in order to receive any proposals made by the shareholders in relation to the management of the Company.
2. The Board may, through some of its Directors and with the cooperation of any senior executives it deems appropriate, organize informational meetings on the running of the Company and of its group for shareholders residing in the most important financial markets in Spain and in other countries, provided that no special treatment is given to the shareholders and provided that a copy of such information is submitted to the Spanish National Securities Market Commission and published on the Company's website.
3. Public requests for the delegation of votes made by the Board or any of its members must express the direction in which the proxy is to vote if no instructions are provided by the shareholder. Votes delegated by virtue of such public request may not be cast in relation to items on the agenda where there is a conflict of interest in accordance with the provisions of the legislation in force.
4. The Board shall encourage the informed participation of the shareholders at shareholders' meetings and shall adopt such measures as may be appropriate to facilitate the effective exercise by the Shareholders' Meeting of the functions conferred on it by the law and the Bylaws.

In particular, the Board shall adopt the following measures:

- (a) it shall endeavor to make available to shareholders, prior to the meeting, all such information as may be legally required and any information which, while not legally required, may be of interest and be reasonably supplied;
- (b) it shall attend, with the utmost diligence, to requests for information made by shareholders prior to the shareholders' meeting;
- (c) it shall attend, with equal diligence, to any questions asked by the shareholders on the occasion of the holding of the shareholders' meeting; and
- (d) it shall ensure that the items proposed to the Shareholders' Meeting are voted on in an orderly and individual manner, giving the shareholders the opportunity to take the floor to express their opinions on each of the matters submitted to a vote.

ARTICLE 34. RELATIONS WITH INSTITUTIONAL SHAREHOLDERS

1. The Board shall also establish appropriate mechanisms for the regular exchange of information with institutional investors that are shareholders of the Company.
2. Under no circumstances may the relations between the Board and institutional shareholders lead to the delivery to such shareholders of information that could

place them in a privileged or advantageous position with respect to the other shareholders.

ARTICLE 35. TRANSACTIONS WITH DIRECTORS AND SIGNIFICANT SHAREHOLDERS

1. Save in cases where authorization is attributed to the shareholders' meeting, the Board of Directors shall take cognizance of and authorize, as the case may be, transactions directly or indirectly performed by the Company with Directors, significant shareholders or shareholders represented on the Board of Directors, or with parties related to them.
2. This authorization by the Board shall not however be deemed necessary in the following cases:
 - (a) when the transactions are ordinary transactions performed on standard terms and of minor significance, deemed to be transactions the data from which is not necessary to give a fair view of the net worth, financial situation or results of the Company.
 - (b) when they are related party transactions that simultaneously meet the following three conditions:
 - (i) they are performed by virtue of contracts with standard conditions that are applied in masse to a large number of clients;
 - (ii) they are performed at prices or rates established in general by whoever acts as provider of the good or service in question; and
 - (iii) the amount thereof does not exceed one percent (1%) of the annual income of the Company.
3. The Board shall approve the transactions envisaged in subarticle 1, following a favorable report by the Audit and Control Committee, and, the Directors affected, in addition to neither exercising nor delegating their right to vote, shall leave the meeting room while the Board deliberates and votes on the transaction.
4. The transactions referred to in the preceding subarticles shall be assessed from the standpoint of equal treatment and of the market conditions, and shall be reported on in the required periodic public information of the Company, on the terms provided for in the law.

ARTICLE 36. RELATIONS WITH THE MARKETS

1. The Board, through communications to the Spanish Securities Market Commission and the corporate website, shall inform the public immediately with regard to any information that is required by applicable legislation and, in particular legislation on the Securities Market and implementing legislation.

2. The Board shall appoint one or more individuals to act as authorized representatives at the Spanish National Securities Market Commission and shall notify the Commission of such appointment in accordance with the legislation in force.
3. The Board shall adopt the necessary measures to ensure that the half-yearly, quarterly and any other financial information it is deemed prudent to make available to the markets is prepared in accordance with the same principles, methods and professional practices as those used to prepare the financial statements and that such information is as reliable as the financial statements.
4. The reporting obligations shall be fulfilled by any technical, computerized or electronic means, without prejudice to the rights of the shareholders to request information in printed format.

ARTICLE 37. RELATIONS WITH THE AUDITOR

1. Board relations with the external auditors of the Company shall be channeled through the Audit and Control Committee.
2. The Board shall disclose the overall fees paid by the Company to the audit firm for non-audit services.
3. The Board shall prepare the financial statements in accordance with accounting legislation. Where the auditor has included a qualification in its audit report, the Chairman of the Audit and Control Committee will clearly explain in the shareholders' meeting, the opinion of the Audit and Control Committee regarding its content and scope and a summary of such opinion will be made available to shareholders at the same time as the publication of the call notice of the shareholders' meeting, together with the other proposals and reports of the Board of Directors.

ARTICLE 38. RELATIONS WITH SENIOR EXECUTIVES OF THE COMPANY

Relations between the Board and the senior executives of the Company must be channeled through the Board Chairman or the Managing Director, if any, and, failing that, by the Board Secretary, in the manner provided for in these Regulations.

CHAPTER XI
DELEGATE AND CONSULTATIVE BODIES OF THE BOARD

ARTICLE 39. DELEGATE AND CONSULTATIVE BODIES

1. Without prejudice to the powers of attorney that may be conferred on any individual, the Board of Directors may appoint a permanent Executive Committee from among its number, determining the members of such Committee, with a minimum of three (3) and a maximum of five (5) Directors, the majority of whom shall be non-executive independent Directors. It may also appoint a managing Director at the proposal of the Chairman of the Board of Directors, and may delegate to him/her, in whole or in part, on a permanent or temporary basis, all powers that may be delegated in accordance with the Law, the Bylaws and the Board Regulations. In order for the delegation and appointment of the Board members who are to hold such positions to be valid, the favorable vote of two-thirds (2/3) of the members of the Board of Directors shall be required and such appointments shall not be effective until they have been registered at the Commercial Registry. Such appointments shall be renewed at the time and in the manner and number decided by the Board.
2. In the exercise of its powers to appoint the members of the Executive Committee, the Board of Directors shall ensure that the composition of the Executive Committee shall be such that the ratio of the different types of Director is similar to that of the Board.
3. The Board shall create an Audit and Control Committee, an Appointments Committee and a Compensation Committee. These Committees shall have the composition and functions described in these Regulations and in the specific Regulations that, as the case may be, are approved for each one.
4. The Board may also resolve to create other Committees, in which case it shall establish the number of Directors comprising such Committees or, as the case may be, the maximum and minimum number of members, as well as the powers or functions assigned to them.

ARTICLE 40. THE AUDIT AND CONTROL COMMITTEE

The composition, offices, functions and manner of operation of the Audit and Control Committee shall be specifically regulated in the relevant Audit and Control Committee Regulations.

ARTICLE 41.- THE APPOINTMENTS COMMITTEE

The composition, offices, functions and manner of operation of the Appointments Committee shall be specifically regulated in the relevant Appointments Committee Regulations.

ARTICLE 42.- THE COMPENSATION COMMITTEE

The composition, offices, functions and manner of operation of the Compensation Committee shall be specifically regulated in the relevant Compensation Committee Regulations.

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