

**REGULATIONS OF THE BOARD OF  
DIRECTORS OF  
AMREST HOLDINGS, SE**

*(Last amended on 30 July 2019)*

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## **TITLE I - INTRODUCTION**

### **Article 1.- Purpose of the Regulations**

1. These Regulations are approved by the Board of Directors of AmRest Holdings, SE (the “**Company**”). Their purpose is to specify the Board of Directors’ principles for action, the basic rules of its organisation and functioning and the rules of conduct for its members. The Regulations seek to achieve the greatest transparency, effectiveness, motivation, supervision and control in the Board’s management and representation functions regarding the corporate interests.
2. These Regulations have been drafted in accordance with the good governance recommendations recognised generally in international markets.

### **Article 2.- Scope of application**

1. These Regulations apply to the Board of Directors, its representative decision-making bodies (whether constituted by one or more people), its internal committees, as well as to all the members that make up those bodies.
2. The persons to whom these Regulations apply will have the duty to get to know them, comply with them, and enforce them. For this purpose the Secretary of the Board shall provide them with a copy, notwithstanding their publication on the Company’s corporate website.

### **Article 3.- Priority and interpretation**

1. These Regulations further develop and supplement, and should be interpreted in accordance with the applicable provisions, the law and Statute applicable to the Board of Directors, which prevail in the event of any conflict with the provisions set forth herein.
2. As a general rule, the Secretary of the Board of Directors, following consultation with the Chair should the Secretary consider it necessary, is responsible for resolving queries arising from the application of these Regulations pursuant to the general criteria of interpretation of the law.
3. Notwithstanding the foregoing, directors may submit their queries to the Board of Directors for its opinion, which will prevail.

### **Article 4.- Modification**

1. Reform of the present Regulations must be initiated by the Chair of the Board, the Audit Committee or one third of the Board members. The proposed modification must include a report justifying the reform.
2. The proposed modifications must be informed by the Audit Committee, unless the Audit Committee initiated the proposal.
3. Modifications to the Regulations must be assented to by the majority of the Board of Directors’ members.

## **TITLE II –THE BOARD OF DIRECTORS’ POWERS**

### **Article 5.- Board of Directors’ general functions**

1. Except for those matters reserved by law or the Statute to the competence of the General Shareholders’ Meeting, the Board of Directors is the Company’s supreme decision-making body.
2. The Board of Directors must perform its duties with unity of purpose and independent judgement, treating all shareholders in the same position equally. It should be guided, at all times, by the Company’s best interests, understood as the creation of a profitable business that promotes its sustainable success over time, while promoting its continuity and maximising its economic value.
3. Furthermore, the Board of Directors shall ensure that the Company: complies with all applicable laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; acts based on ethics; respects the customs and good practice of the industries and territories in which it operates; and observes any additional principles of social responsibility that it may have voluntarily accepted.
4. The Board of Directors shall be responsible for the governance, management and administration of the Company’s business and interests in all aspects not specifically reserved by law to the competence of the General Shareholders’ Meeting. This notwithstanding, it will generally entrust the management of the Company’s day-to-day affairs to the management team, and concentrate its activities on supervising and considering any affairs that are particularly important to the Company. Despite this, all powers established as not delegable by law or the Regulations of the Board of Directors will be reserved to, and dealt with directly by, the Board of Directors.
5. The Board of Directors also exercises the Company’s organic representation in the terms established by law and the Statute. Should the Board delegate or assign this power of representation to one or several directors, the director(s) must notify the Board of any actions taken in exercise of the power that go beyond the ordinary administration.

### **Article 6.- Powers reserved to the Board of Directors**

Notwithstanding the powers of representation and execution granted to the Chair in the Statute and any powers of attorney or delegations granted directly by the Company, the following powers shall be within the exclusive authority of the Board of Directors:

1. Call the General Shareholders’ Meeting, prepare the agenda, and approve any proposals that directors submit for its consideration.
2. Prepare the Company’s Annual Accounts and Management Report and those of its consolidated tax group and submit them to the General Shareholders’ Meeting.
3. Approve the policies and general strategies of the Company and of the group of companies of which the Company is the parent (the “**Group**”), such as:
  - The Group’s strategic plan (and its term), management objectives and annual budgets;

- The investment (including the financial ones) and financing policy;
  - The conflict of interest policy;
  - The corporate governance policy;
  - The senior management remuneration policy;
  - The powers of attorney policy;
  - The control and risk management policy, including taxation, and supervision of the internal information and control systems;
  - The dividend policy, as well as the treasury stock policy and, especially, its limits;
  - The definition of the corporate group's structure, of which the Company is the parent; and
  - The Company's tax planning strategy.
4. Adopt the following decisions regarding appointments and remuneration:
    - Appoint directors in the event of vacancies, until the General Shareholders' Meeting next meets;
    - Appoint and remove the Chair, Secretary and Vice-Secretary of the Board of Directors and the directors who are to sit on the different Committees contemplated in these Regulations;
    - Appoint and remove the Chief Executive Officers, and assign and revoke any other executive duties in respect of a Board member;
    - Determine directors' remuneration for the performance of their duties, including those within the statutory framework and the ceiling set by the General Shareholders' Meeting;
    - Define Executive Directors' remuneration package, for performance of their executive duties, in accordance with the Statute and the directors' remuneration policy, and approve the remaining terms and conditions of their contracts;
    - Appoint and dismiss senior managers who directly report to the Board or its members, and establish the basic conditions of their contracts, including their remuneration and powers.
  5. Oversee the effective operation of the committees and the actions of the delegated bodies and the designated executives.
  6. Oversee the process for preparing and disclosing mandatory financial information and the management report, which shall include, when applicable, mandatory non-financial information.
  7. Approve the financial information, which the Company, being listed, must periodically disclose to the public.
  8. Approve the following investments and transactions, except when the General Shareholders' Meeting is responsible for such approval, and without prejudice of the Board's ability of delegation and substitution:

- Incorporation of companies and entities or initial acquisition of stakes in existing companies or entities, contribution and donation to foundations, or other contributions of any nature to any person or entity not included in the Group.
  - Creation or acquisition of shareholdings in special purpose entities, or those registered in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the Company's transparency and that of its group.
  - Mergers, takeovers, demergers, disposal of assets and liabilities or concentrations of strategic importance in which any relevant company, in which any of the group's companies holds a direct stake, is interested.
  - Transactions related to the trademarks owned by the Group, or by third parties managed by the Group; management of the franchise and master franchise agreements of the Group; advice and support to investee companies or those companies with which the Company cooperates by virtue of contractual relationships such as franchise and similar agreements.
  - Sale of shares in companies or other fixed assets.
  - Issue of bonds and other securities, according to the laws and Statute.
  - Any investments or transactions, which due to their amount or special features, are of strategic importance or pose special tax risks. In particular, any transaction the amount of which exceeds 10% of the consolidated net equity according to the last approved financial statements, or any transaction which represents an indebtedness of the Group with an amount of 10 million euros or more.
  - Any transactions related to real estate properties (sale and purchase, lease or any other way of transfer), carried out by the Company or any Group's entity, other than following the development of the ordinary business of the Company.
  - Signing of long-term commercial, industrial or financial agreements and joint ventures of strategic importance for the group.
9. Prepare any kind of report, as may be required by law of the Board of Directors, provided the operation to which the report refers cannot be delegated.
  10. Exercise the powers delegated by the General Shareholders' Meeting, unless the Board has been expressly authorised to subdelegate them.
  11. On a case-by-case and exceptional basis, waive obligations arising from the duty of loyalty set forth in the law and the Company's internal regulations.
  12. Decide on any other item or matter exclusively reserved in these Regulations for approval by the Board of Directors.

## **TITLE III – COMPOSITION OF THE BOARD OF DIRECTORS**

### **Article 7.- Number of directors**

1. In accordance with what is set out in the Statute, the Board of Directors will be comprised of at least five and, at most, fifteen members.
2. The Board will propose, to the General Shareholders' Meeting, the number of directors that it deems most appropriate to ensure proper representation and effective functioning of the Board based on the Company's existing circumstances and the terms set out in the Statute.

### **Article 8.- Classes of directors**

1. Directors who perform management duties within the Company or its group, whatever the legal relationship they maintain, will be deemed executive directors.
2. All other Company directors, whether proprietary, independent, or other external directors, shall be deemed non-executive directors, in accordance with the law and other applicable regulations.
3. The Board of Directors will endeavour to ensure that the number of executive directors is the minimum necessary, taking into account the group's complexity, the percentage of interest held by executive directors in the Company's share capital, and that one third of the members of the Board of Directors are independent directors. The relationship between the number of proprietary directors and the number of independent directors will attempt to reflect, as far as possible, the ratio of the Company's voting share capital represented by proprietary directors to the rest of the share capital.
4. The Board of Directors will justify each director's position at the General Shareholders' Meeting at which their appointment is to be made or ratified. Such position will be maintained or, where applicable, modified annually in the Annual corporate governance report, after being verified by the Appointments and Remunerations Committee.

### **Article 9.- Appointment and re-election of directors**

1. Directors will be appointed by the General Shareholders' Meeting or by the Board of Directors pursuant to the law.
2. The proposals for the appointment and re-election of directors submitted by the Board of Directors for consideration by the General Shareholders' Meeting, and the Board of Directors' decisions in the exercise of its legally-assigned power to make interim appointments to fill vacancies, shall be preceded by the following documents:
  - (a) The Appointments and Remuneration Committee's proposal, for independent directors;
  - (b) A preliminary report from such Committee, for all other directors.
3. Any director may request the Appointments and Remunerations Committee to take potential candidates into consideration to fill director vacancies should they deem them suitable.



4. If the Board of Directors deviates from the recommendations made by the Appointments and Remunerations Committee, it must give reasons for doing so and record the reasons in the minutes.
5. The proposal must be accompanied by an explanatory report prepared by the Board, evaluating the competency, experience and merits of each candidate proposed, which will be added to the General Shareholder's Meeting minutes or those of the Board.
6. If the vacancy arises once the General Shareholders' Meeting has been called and before it is held, the Board of Directors may appoint a director until the next General Shareholders' Meeting is held.
7. The proposal of the representative, who is a natural person, of a corporate director must be subject to a report prepared by the Appointments and Remunerations Committee.

#### **Article 10.- Term of directors' office**

Directors will exercise their office for a four-year term, and may be re-appointed for one or more additional periods of the same maximum duration. Once the period has expired, the appointment will be terminated when the next General Shareholders' Meeting is held, or when the legal period for holding the Meeting that must approve the previous year's annual accounts has elapsed.

#### **Article 11.- Removal of directors**

1. Directors will be terminated from their position when: so decided by the General Shareholders' Meeting, they notify the Company of their resignation and at the expiration of the period for which they were appointed. The effective date of termination in this last case shall be the date of the first General Shareholders' Meeting.
2. Directors shall make their position available to the Board of Directors and formalise, if the Board considers it appropriate, the relevant resignation in the following cases: (a) when they cease to hold the executive positions to which their appointment as director was associated; (b) when they are involved in any of the situations deemed to be incompatible or prohibited according to law; (c) when they have committed a serious violation of their obligations as director; or (d) when remaining on the Board may endanger the Company's interests, negatively affect the Board's credit or reputation, or when the reasons for which they were appointed disappear (for example when proprietary directors transfer or reduce their shareholding in the Company); in this regard, directors must inform the Board of any criminal charges brought against them and the progress of any subsequent trial.
3. The Board will not propose the removal of any independent director before the expiry of their tenure as mandated by the Statute, except where they find just cause, based on a previous report from the Appointments and Remuneration Committee. In particular, just cause will be presumed to exist when: directors take up new posts or responsibilities that prevent them from allocating sufficient time to their work as a Board member, are in breach of their fiduciary duties, or fall under one of the disqualifying grounds for classification as independent established in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the Company's capital structure, provided the changes to the structure of the Board of Directors promotes the proportionality criterion set out in the good governance recommendations adopted by the Company.

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

### **Article 12.- Notice of call and venue**

1. The Board will meet at least once quarterly and as well as whenever a meeting is called by: the Chair or Acting Chair, the majority (at least a third) of the directors, or the lead independent director, should one exist. Should a lead independent director exist, the meeting must be called by order of the Chair or the lead independent director.
2. If, after requesting the Chair to convene a meeting no such meeting is called within a month and no justified reason is provided, one third of the members of the Board of Directors may call a Board meeting to be held in the municipal area of the Company's registered office, indicating the agenda items.
3. As an exception, provided no directors object, the Board may adopt written resolutions, without meeting. In this case, directors may send their votes and any comments they wish to be recorded in the minutes by e-mail.
4. The Board may meet simultaneously in separate assembly halls, so long as audiovisual and telephone equipment is provided to ensure real-time inter-communication and interactivity and, consequently guarantee the meeting's continuity. In this case, the communication system will be stated in the call of the meeting and, if appropriate, the places where the necessary technical equipment for attending and participating in the meeting will be made available. The resolutions will be deemed adopted at the place where the Chair is located.
5. The call of the ordinary sessions shall be carried out using any written means, including email, directed personally to each director with, at least, three working days' advance notice. This shall contain the agenda, which shall clearly indicate the items.
6. Meetings will normally be held at the registered office, but may be held anywhere else as decided by the Chair and indicated in the call of the meeting.

### **Article 13.- Procedure for meetings**

1. Board meetings shall be quorate when attended, in person or by proxy, by more than one half of its members.
2. Notwithstanding the foregoing, the Board shall also be quorate without prior notice of call, when the totality of its members attend the meeting, whether in person or represented.
3. Directors should attend the sessions held in person. When this is impossible for them, they may, using any written means including email and for that session alone, delegate their representation to another director, with the appropriate instructions. This representation will be notified to the Chair or to the Secretary of the Board of Directors.

A single director may hold several representations. Non-executive directors may only delegate their representation to another non-executive director.

4. Unless the law, the Statute or these Regulations specifically require a supermajority, resolutions will be adopted by an absolute majority of the directors that are present. In case of a tie, the Chair shall have the deciding vote.
5. When directors cannot exercise the right to vote upon a matter due to prohibition by law or the Statute, the quorum of attendance for the Board sessions will be reduced by the number of directors affected by the prohibition, and the majority necessary to adopt a resolution will be calculated on the basis of the quorum so reduced.
6. Exceptionally, for reasons of urgency, the Chair may submit decisions or resolutions that were not on the meeting agenda to the Board of Directors for approval, in which case the majority of directors present must provide prior consent to their inclusion on the agenda, which must be duly recorded in the meeting minutes.

## **TITLE V – STRUCTURE OF THE BOARD OF DIRECTORS**

### **Chapter I. Internal positions on the Board of Directors**

#### **Article 14.- Chair of the Board of Directors**

1. The Chair of the Board of Directors shall be responsible, among others, for the following:
  - (a) To institutionally represent the Company and its group, notwithstanding the powers corresponding to the Board of Directors in this area.
  - (b) To ensure legitimacy in the Board's decision-making procedures and control that sufficient powers have been delegated to the management team.
  - (c) To ensure that the Board has a central and constructive position in the development and determination of the strategies and the global commercial objectives of the group.
  - (d) To call Board of Directors' meetings, establish the items on the agenda, and lead their functioning, promoting the regularity and frequency of its meetings.
  - (e) To verify that the Board's agenda items take into account those matters relevant for the Company and its group, as well as the directors' concerns.
  - (f) To facilitate the effective contribution of the non-executive directors and the constructive relationship between them and the executive directors, as well as enabling the directors' involvement generally.
  - (g) To ensure that the Board receives precise, relevant and clear information about the functioning, objectives, strategies and results of the group and about the matters reserved to it for decision.

- (h) To identify and secure the development needs of individual directors as well as of the Board of Directors as a whole, with the assistance of the Secretary of the Board.
  - (i) To coordinate the work performed by the different committees of the Board and regular assessments of the Board and its members.
  - (j) To act as an information channel – providing the means and sources required to do so – between the Board, its Committees, the directors and the managers and employees of the Company and, in general, within the Company’s group.
  - (k) To promote, with the assistance from the Secretary of the Board, the highest standards of integrity, probity and corporate governance in the whole group, and, especially, with respect to the Board.
  - (l) To endorse the minutes, certificates and other documents related to the resolutions of the General Shareholders’ Meeting, the Board of Directors and, if applicable, the Committees that he/she chairs.
2. The Chair can be re-elected as a member of the Board, by a resolution of the General Shareholders’ Meeting, and thereby continue as Chair without the need for a new election, notwithstanding the Board’s power to remove him/her.
  3. The Board of Directors may appoint a Vice-Chairman to assist the Chairman of the Board of Directors or replace him/her when he/she is absent, unable to act or ill.

**Article 15.- Secretary of the Board**

1. The Secretary shall ensure: the formal and substantive legality of all actions taken by the Board; observance of the good governance recommendations adopted by the Company; and observance and regular review of governance procedures and rules.  
The Secretary must organise the sending of the notice of call for the Board of Directors’ meetings at the request of the Chair of the Board.
2. The Board of Directors may appoint a Vice-Secretary to assist the Secretary of the Board of Directors or replace him/her when he/she is absent, unable to act or ill.
3. Should the Secretary and the Vice-Secretary of the Board be absent, unable to act or ill, they may be replaced by the director appointed by the Board itself from among the directors present at the meeting in question.
4. The Secretary and, if applicable, the Vice-Secretary shall be members of the Board of Directors, even if they do not hold the position of directors.
5. The Secretary of the Board will also act as the secretary of all the Board’s Committees.

**Article 16.- Lead Independent Director**

1. The Board of Directors will appoint a Lead Independent Director among its independent directors, who will be specifically empowered to:
  - (a) Give voice to the concerns of the non-executive directors and to bring them together when he/she deems it appropriate to do so.

- (b) Request the call of the Board of Directors or the inclusion of new items on the agenda in a session of the Board which has already been called.
  - (c) Lead the regular assessment of the Chair of the Board of Directors.
2. The Lead Independent Director will be appointed for an indefinite term and with the executive directors' abstention.

## **Chapter II. Delegated and Advisory Bodies**

### **Article 17.- Committees of the Board of Directors**

1. Notwithstanding the delegations of powers made on an individual basis, where applicable, in favour of the Chief Executive Officer or any other director, and of its power to create Delegated Committees for specific activity areas, the Board of Directors must create, and delegate general decision powers to, an Executive Committee.
2. The Board may also create committees with supervisory, information, advisory and proposal powers in the areas within its responsibility. In any case, the Board must create an Audit Committee and an Appointments and Remuneration Committee.

### **Article 18.- Executive Committee**

1. The Executive Committee shall consist of a minimum of three and a maximum of five directors, in similar proportions to their weight on the Board of Directors. At least two-thirds of Board members actually in office must vote in favour to appoint members of the Executive Committee.
2. The Chair and Secretary of the Board of Directors shall be Chair and Secretary, respectively, of the Executive Committee, which may also be attended by the Vice-Secretary.
3. The Executive Committee meetings shall be quorate when attended, in person or by proxy, by one half plus one of the members.
4. The members will step down from the Executive Committee when they retire as Directors or whenever else so resolved by the Board. The Board of Directors shall promptly fill any vacancies.
5. The Board of Directors will permanently delegate all of its powers to the Executive Committee, save any which may not be delegated according to law, the Statute or these Regulations.
6. The Executive Committee shall meet as and when called by the Chair or requested by the majority of its members. The Secretary shall record the resolutions adopted in the meeting minutes, a copy of which shall be made available to the Board members. The Board shall be informed of all such resolutions at its next meeting.
7. The Executive Committee shall inform the Board of Directors about the important matters and decisions adopted in its sessions.
8. These Regulations concerning the Board of Directors procedures and actions shall be applicable to the Executive Committee insofar as they can be.

## **Article 19.- Audit Committee**

1. The Audit Committee will be made up of a minimum of three and a maximum of five directors, and shall be chaired by whoever among them is appointed by the Board of Directors, as long as he/she is an independent director.
2. All of the Audit Committee members will be appointed by the Board of Directors and shall be non-executive directors, the majority of whom, at least, must be independent directors. At least one of them must be appointed based on his/her knowledge and experience in accounting, auditing or both. The Audit Committee members, as a group, must have the relevant know-how regarding the industry that the entity subject to the audit belongs to.
3. The Chair of the Audit Committee will exercise his/her office for four years, and may not be re-elected until at least one year after his/her removal has elapsed.
4. The Audit Committee will at least have the following responsibilities, which are:
  - (a) To report, through its Chair, to the General Shareholders' Meeting on questions raised by the shareholders regarding matters within its remit, and explain the audit's results and how it contributed to the integrity of the financial information and the Audit Committee's role in this process.
  - (b) To oversee the effectiveness of the Company's internal control system, the internal audit, and the risk management system and discuss with the accounting auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence. For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up.
  - (c) To assist the Board to oversee the process for preparing and disclosing mandatory financial information regarding the Company and submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such financial information.
  - (d) To propose motions regarding the recruitment, appointment, re-election and replacement of the accounting auditor to the Board of Directors, taking charge of the recruitment process, as well as the terms and conditions of the agreement to be executed with him/her, the scope of his/her professional mandate, the renewal or not of their mandate and where appropriate, regularly gather information about the audit plan and its implementation, while preserving its independence in the performance of its duties.
  - (e) To liaise with the auditor to receive information on: matters that could represent a threat to its independence; any matter related to the implementation of the audit process; and, where appropriate, the authorisation of any services, other than those forbidden under the terms of the applicable audit regulations, and other communications envisaged by these regulations.

In any event, the Audit Committee must receive, annually from the accounting auditor: written confirmation of its independence regarding the entity or those entities that it has direct or indirect links to; information on any additional

services rendered of any kind and the relevant fees received by the auditor or persons, natural or legal, related to the auditor, from the abovementioned entities, pursuant to the provisions of the prevailing audit regulations.

- (f) To issue, annually prior to the issue of the audit report, a report expressing an opinion on whether the independence of the accounting auditor has been jeopardised. Such report must include a reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph (other than the legal audit), individually and as a whole, and in relation to the independence system or the audit regulations.
  - (g) To advise the Company's Board of Directors, in advance, of all of the topics covered by law, the Statute and these Regulations, and namely, of:
    - (i) The financial information that the Company must disclose on a regular basis;
    - (ii) The creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered to be tax havens; and
    - (iii) Any transactions with related parties.
5. The Company's internal auditing services will depend on the Board of Directors, to which they will report. Notwithstanding this, the Company's internal auditing services will satisfy the information requirements received from the Audit Committee in the exercise of their duties.
  6. The Audit Committee must meet at least four times a year and can meet as many times as it is called by its own resolutions or by its Chair. The Chair is obliged to attend the Audit Committee's meetings and to collaborate and give access to the information that any member of the management team or the employees of the Company may have. The Audit Committee can require the accounting auditor to attend its meetings. One of the Audit Committee's meetings must be held to assess the efficiency and compliance with the Company's corporate governance rules and procedures and prepare the financial information that the Board has to approve and include within the public annual documentation.
  7. The Audit Committee shall be validly quorate when the majority of its members, present or represented, attend. The resolutions shall be adopted by the majority of the attending members, present or represented.
  8. The Audit Committee may seek the advice of external experts up to the amount approved by the Board, and in excess with the authorization of the Board.
  9. In the absence of a specific rule, to the extent that it is not incompatible with its nature, the provisions of these Regulations regarding the functioning of the Board of Directors will be applicable to the Audit Committee.

#### **Article 20.- Appointments and Remuneration Committee**

1. The Appointments and Remuneration Committee shall be made up of no less than three and not greater than five non-executive directors, at least two of which must be independent directors.

2. The Board of Directors shall endeavour to ensure that the members, and in particular the Chair, of the Appointments and Remuneration Committee have the appropriate knowledge, qualifications and expertise to discharge the duties entrusted to them.
3. The Appointments and Remuneration Committee shall appoint the Chair out of its members. The Chair must be an independent director.
4. Notwithstanding other tasks the Board of Directors may entrust to it, the Appointments and Remuneration Committee shall have the following basic responsibilities:
  - (i) To assess the qualifications, knowledge and experience required for the Board of Directors. For such purposes, to define the functions and qualifications required from candidates who must fill each vacancy and evaluate the exactly amount of time and dedication required for them to effectively discharge their duties;
  - (ii) Submit proposals on independent directors to be appointed by co-option to the Board of Directors for it to put for decision before the General Shareholders' Meeting, as well as the proposals for the re-election or removal of said directors;
  - (iii) To issue a report regarding proposals to appoint the remaining directors for their appointment by co-option or to be submitted to the General Shareholders' Meeting, as well as the proposals for their re-election or removal;
  - (iv) To inform the Board of Directors about the appointment, re-election and removal of internal positions on the Company's Board of Directors;
  - (v) To issue a report regarding the motions to appoint and to remove senior executives (including, for this purposes, the brand and area managers) and the basic terms of their contracts;
  - (vi) To inform the Board about gender diversity matters and, particularly, to ensure that the selection procedures for directors and senior executives do not implicitly bias female candidates;
  - (vii) To propose to the Board of Directors: (a) the remunerations policy for the directors and general managers or for those who have senior management functions and report directly to the Board of Directors, committees or the Chief Executive Officers; (b) the individual remuneration for the executive directors and the other conditions of their contracts, ensuring that they are followed; and (c) the basic conditions of senior executive contracts;
  - (viii) To analyse, pose and periodically review the remuneration policy applied for senior executives and the management team, including the remuneration packages with shares and their application, and ensure that it is proportionate to that paid to the other directors and members of the management team and to other personnel of the Company;
  - (ix) To ensure the compliance with the remuneration policy established by the Company;
  - (x) To review and arrange for the succession of the Chair of the Board of Directors and of the Company's Chief Executive Office and, where appropriate, to propose



motions to the Board of Directors for such succession to take place in an orderly and well-planned manner;

- (xi) To inform the shareholders about the exercise of its functions, attending the General Shareholders' Meeting for this purpose; and
  - (xii) To assist the Board in the elaboration of the report about the remuneration policy and submit to the Board any other remuneration reports foreseen in these Regulations, verifying the information about the directors and senior executives' remuneration established in different corporate documents, including the annual report on directors' remuneration.
5. The Appointments and Remuneration Committee shall meet each time the Chair deems it necessary. The Chair will call a meeting whenever a report is issued or proposals need to be adopted and, in any case, whenever it is suitable for the successful performance of its functions.
  6. The Appointments and Remuneration Committee shall be validly quorate when the majority of its members, present or represented, attend. The resolutions shall be adopted by the majority of the attending members, present or represented.
  7. The Appointments and Remuneration Committee may seek the advice of external experts up to the amount approved by the Board, and in excess with the authorization of the Board.
  8. In the absence of a specific rule, to the extent that it is not incompatible with its nature, the provisions of these Regulations regarding the functioning of the Board of Directors will be applicable to the Appointments and Remuneration Committee.

#### **Article 20bis.- Health and Safety Committee**

1. The Health and Safety Committee shall be made up of no less than three and not greater than five non-executive directors, at least two of which must be independent directors.
2. The Board of Directors shall endeavour to ensure that the members, and in particular the Chair, of the Health and Safety Committee have the appropriate knowledge, qualifications and expertise to discharge the duties entrusted to them.
3. The Health and Safety Committee shall appoint the Chair out of its members. The Chair must be an independent director.
4. Notwithstanding other tasks the Board of Directors may entrust to it, the Health and Safety Committee shall have the following basic responsibilities:
  - (i) Reviewing, monitoring and recommending to the Board, the Company's health and safety risk management framework and policies;
  - (ii) Reviewing and recommending to the Board for approval strategies for achieving the Company's health and safety objectives;

- (iii) Reviewing and recommending to the Board for approval targets for health and safety performance and assessing performance against those targets;
  - (iv) Monitoring the Company's compliance with its health and safety policies and the relevant health and safety laws;
  - (v) Ensuring that the systems used to identify and manage the Company's health and safety risks are fit-for-purpose, being effectively implemented, regularly reviewed and continuously improved.
  - (vi) The Committee must ensure that the Board is properly and regularly informed and updated on matters relating to health and safety risks;
  - (vii) Seeking assurance that the Company is effectively structured to manage health and safety related risks, including having competent workers, adequate communication procedures and proper documentation;
  - (viii) Reviewing and recommending to the Board regarding the appropriateness of resources available for operating the health and safety management systems and programmes; and
  - (ix) Reviewing and monitoring all health and safety related incidents / issues and the actions taken by the Board to prevent recurrence. To ensure the compliance with the remuneration policy established by the Company.
5. The Health and Safety Committee shall meet each time the Chair deems it necessary. The Chair will call a meeting whenever a report is issued or proposals need to be adopted and, in any case, whenever it is suitable for the successful performance of its functions.
  6. The Health and Safety Committee shall be validly quorate when the majority of its members, present or represented, attend. The resolutions shall be adopted by the majority of the attending members, present or represented.
  7. The Health and Safety Committee may seek the advice of external experts up to the amount approved by the Board, and in excess with the authorization of the Board.
  8. In the absence of a specific rule, to the extent that it is not incompatible with its nature, the provisions of these Regulations regarding the functioning of the Board of Directors will be applicable to the Health and Safety Committee.

**Article 21.- Chief Executive Officer**

The Board of Directors, upon a proposal of the Chair thereof, after a report from the Appointments and Remuneration Committee and with the favourable vote of at least two-thirds of the directors, may appoint one or more Chief Executive Officers (*Consejeros Delegados*) with the powers it deems appropriate and which may be delegated pursuant to law and the Statute.

## **TITLE VI – DIRECTOR DUTIES**

### **Article 22.- General duty of due diligence**

1. The directors' function is to promote, guide and control the management of the Company. In carrying out their duties, directors have to act with the diligence of a prudent business person, taking into account the nature of the role and the duties under their responsibility.
2. Directors must have appropriate dedication and must adopt the necessary measures for the Company's good management and control.
3. When carrying out their duties, directors have the duty and the right to demand and seek from the Company, the relevant information necessary for them to comply with their obligations.
4. The duty of due diligence specifically obliges directors:
  - (a) To be sufficiently informed about the Company's affairs and its group and adequately prepare meetings of the Board and any other committees to which they belong.
  - (b) To collaborate and participate actively in the Board's functions, attend meetings, unless just cause exists, and give their responsible opinion and vote. Unless there is a justified reason preventing it, the directors who are unable to attend the meeting to which they have been called, shall nominate in written another director as their proxy, and, if possible, give instructions to the director who has to represent them regarding how they intend to vote.
  - (c) Dedicate the appropriate time and effort to their duties on the Board of Directors in order to perform them effectively.
  - (d) Oppose resolutions that are contrary to the law, the Statute or the Company's interest.
  - (e) Undertake any specific task assigned to them by the Board of Directors reasonably falling within their commitment of dedication.
  - (f) Not form part of more than four other listed companies' boards of directors. To these effects, all of the companies' boards of directors belonging to the same group will be considered to have one single mandate as well as those holding board memberships as proprietary directors proposed by a company of the same group even if the stock held in the company, or the level of control, may not qualify that company to be considered as part of the group.

Exceptionally and provided there is a just cause, the Board may exempt the directors from this prohibition. In addition, directors shall inform the Appointments and Remuneration Committee of any material changes in their professional situation and any that may affect the nature or condition by virtue of which they have been appointed as a director.

### **Article 23.- Duty of loyalty**

1. Directors must perform their roles as loyal representatives, operating in good faith and in the Company's best interest. This requirement involves, among others, the duties outlined in the proceeding paragraphs.
2. Directors must refrain from exercising their powers for purposes other than those for which they have been granted.
3. Directors must keep deliberations of the Board of Directors and of the committees to which they belong secret and refrain, in general, except in case of express Board resolutions in this regard, from making declarations to the public media and from revealing the information to which they had access while serving as a director to any third party.

The confidentiality obligation will apply even when directors have left their post.

Directors must also refrain from participating in the deliberation and voting on agreements or decisions in which they, or a related person, as described in the Companies Law, has a direct or indirect conflict of interest. The foregoing obligation to abstain shall exclude those agreements or decisions which affect them in their standing as director, such as their designation for, or release from, roles on the Board of Directors or others of similar significance.

4. Directors must adopt the necessary measures to avoid the occurrence of situations in which their interests, whether on their own or those of another, might enter into conflict with the corporate interest and their duties to the Company.
5. Breach of the duty of loyalty shall result in the director being obliged to compensate the damages caused to the corporate assets and to return the unjust enrichment obtained.

### **Article 24.- Conflicts of interest and non-compete obligation**

1. Particularly, the obligation to refrain from being involved in conflicts of interest established under paragraph 4 above, obliges the directors to refrain from:
  - (a) Carrying out transactions with the Company, except when they are part of the Company's ordinary business, are carried out under normal market conditions and are of little significance, with these being understood to be those involving information that is not required to express a true image of the Company's property, financial situation and results.
  - (b) Using the Company's name or adducing their standing as director to have undue influence when carrying out private transactions.
  - (c) Making use of the corporate assets, including the Company's confidential information, for private ends.
  - (d) Taking advantage of the Company's business opportunities.
  - (e) Obtaining advantages or remuneration from third parties other than the Company or its group, associated to the discharge of their duties, other than minor matters of mere courtesy.

- (f) Carrying out activities on their own, or another's, behalf which entail effective competition, whether currently or potentially, or which, in any other way, places them in permanent conflict with the Company's interests.
- 2. The foregoing provisions also apply in the event that the beneficiary of the prohibited acts or activities is related to the director.
- 3. In any event, directors must notify the Board of Directors of any direct or indirect conflict of interest, which they or persons related to them may have with the Company's interests.
- 4. The situations giving rise to the conflict of interest in which the directors are involved will be the object of information in the report.
- 5. The Company may only waive the prohibitions derived from the duty of loyalty in very unusual cases and in accordance with the law.

## **TITLE VII – INFORMATION FOR DIRECTORS**

### **Article 25.- Right to counsel and information**

- 1. Directors shall have access to all of the Company's services and may, with the fullest powers, obtain any information and advice they may need to perform their duties. The right to information is extended to the subsidiaries, in Spain or overseas, and shall be channelled through the Chair or Secretary of the Board of Directors. The Chair or Secretary of the Board will attend to all requests from directors by: supplying the information directly; putting the directors in touch with the appropriate persons; or taking such measures as may be necessary for the requested examination.
- 2. Directors shall also be entitled to propose to the Board of Directors, by majority, engaging any legal, accounting, technical, financial, commercial or other advisers as they may consider necessary for the Company's interests, to assist them in the performance of their functions whenever they come up against specific, important, or complex problems relating to their duties.
- 3. The Secretary of the Board must notify the Company's Chair of the proposal. The Board of Directors may withhold its approval if it considers the engagement unnecessary for the performance of the commissioned duties, either in view of its cost (disproportionate to the importance of the problem and the Company's assets and revenues) or if it considers that the technical assistance requested could be adequately given by experts and officers within the Company.
- 4. The Company shall provide any support necessary to enable new directors to rapidly acquire a sufficient knowledge of the Company and its corporate governance rules and organise, if necessary, guidance programs for this purpose. The Company shall also offer training programs and continuous refresher programs for directors whenever circumstances so require.

## **TITLE VIII – DIRECTORS’ REMUNERATION**

### **Article 26.- Directors’ remuneration**

1. Members of the Board of Directors shall receive, in their capacity as such, remuneration pursuant to the Statute. The maximum yearly amount for the whole of the Board of Directors will be determined by the General Shareholders’ Meeting. It will be reviewed and updated according to the factors or criteria established by the General Shareholders’ Meeting. The remuneration will include the following items: (i) a fixed payment; and (ii) allowances for effective attendance at the meetings of the Board of Directors and its delegate or advisory committees.

The Board of Directors must, for each financial year, define the method and time of payment. It must also agree upon the exact allocation among its members of the total remuneration prescribed by the Statute, as described in paragraph one above. The allocation may be calculated individually, taking into account: the functions and responsibilities allotted to each director, membership of the Board’s committees and any other objective circumstances that the Board of Directors deems relevant.

2. The Board of Directors will determine the remuneration that executive directors will receive for performing the executive functions delegated or entrusted to them by the Board of Directors. This remuneration must be in line with the directors’ remuneration policy approved by the General Shareholders’ Meeting and be reflected in the contract between the director and the Company required by law.

In particular, and without limitation, the remuneration provided in this section and subject to the remuneration policy referred to above, may include: fixed salaries; variable remunerations (based on reaching business objectives and/or personal performance); equity awards, stock options rights or other securities entitling their holders to obtain shares; severance pay for reasons other than a failure to fulfil duties; pensions; insurance; forecast systems; differed payment plans; and retirement plans consisting of the provision of shares or options for shares of the Company, or which are indexed to the value of shares; established for those members of the Board of Directors who perform executive functions.

3. The Company can purchase civil liability insurance for its directors.

### **Article 27.- Directors’ Remuneration Policy**

1. The directors’ remuneration policy will be approved by the General Shareholders’ Meeting at least once every three years as a separate agenda item in accordance with the applicable legislation.
2. The remuneration policy, which must be in line with the remuneration scheme envisaged in these Statute, will establish the maximum annual remuneration payable to all members of the Board of Directors for the purpose of remunerating the Board members, in their capacity as such.
3. With respect to the remuneration of executive functions, the remuneration policy will set out: the amount of the fixed annual remuneration and its variation during the period

to which the policy refers, the different parameters to set the variable components and the main terms and conditions of the contracts signed with executive directors. The main terms and conditions of the contracts should include, in particular: their duration, compensations for early termination or termination of the contractual relationship and exclusivity agreements, and post-contractual non-competition and permanence or loyalty clauses.

4. If the annual report on directors' remuneration is rejected in the advisory vote of the ordinary General Shareholders' Meeting, the remuneration policy applicable for the subsequent financial year must be submitted for approval by the General Shareholders' Meeting before being applied, even if the three-year period mentioned in paragraph 1 above has not yet elapsed. An exception is made where the remuneration policy is approved during the same ordinary General Shareholders' Meeting.

## **TITLE IX – APPROVAL, DISCLOSURE AND EFFECTIVE TERM**

### **Article 28.- Approval, disclosure and effective term of the Regulations**

1. The Board of Directors shall be in charge of approving these Regulations and the amendments thereof.
2. After approval thereof, these Regulations shall be recorded with the Commercial Registry and they shall be included on the Company's website.
3. The Regulations shall be effective indefinitely as from the date of approval by the Board of Directors.

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