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**RULES OF THE BOARD OF DIRECTORS OF THE COMPANY CONSTRUCCIONES
Y AUXILIAR DE FERROCARRILES, S.A. (CAF)**

CHAPTER I. INTRODUCTION.

Article 1. Purpose.

The purpose of these Rules is to establish the action principles of the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (the "**Company**"), the basic rules of its organisation and the code of conduct of its members.

Article 2. Construction.

These Rules will be construed in accordance with the applicable legal and statutory standards in force at any time.

Article 3. Amendments.

1.- These Rules can only be amended at the request of the Chairman or of at least three Directors, or of any of the Committees, which must accompany the proposal with the relevant justification.

2.- The text of the proposal must be attached to the call notice of the Board meeting which must deliberate on the matter in question.

The Board shall be called at least five days in advance.

3.- For an amendment of these Rules to be valid, an agreement must be reached by a majority of two thirds of the Directors attending or represented at the session, unless the amendments have been imposed by mandatory regulation.

Article 4. Dissemination.

1.- Directors are obliged to be aware of, meet and enforce these Rules. To this end, the Secretary of the Board will provide them all with a copy of the Rules.

2.- The Board of Directors will adopt the appropriate measures to ensure that the Rules are distributed amongst the shareholders and the investing public in general, to which effect these Rules must be notified to the National Stock Market Commission, recorded in the Commercial Registry and published on the corporate website of the Company, pursuant to the applicable standards.

CHAPTER II. PURPOSE OF THE BOARD.

Article 5. General Supervisory Role.

1.- Except for the issues exclusively reserved for the General Shareholders' Meeting, the Board of Directors is the highest decision-making body of the Company, with no limitation of substance other than as provided for by the objects of the Company.

2.- The policy of the Board is to delegate ordinary management of the Company on the management team and to focus its activity in the general function of supervision and on establishing the general strategies of the Company.

3.- Notwithstanding any delegated matters, the Board shall deal, in addition to the matters specifically listed in the Rules, with all of the relevant matters of the Company and is specifically obliged to directly exercise the following responsibilities, which cannot be delegated:

- a) Supervision of the effective operation of the Committees that the Board may have created, as well as of the proceedings of the delegated bodies and of the managers it would have appointed.
- b) Definition of the general policies and strategies of the Company.
- c) The authorisation or waiver of the obligations resulting from the duty of loyalty pursuant to Law and in the present Rules.
- d) Its own organisation and operation.
- e) Formulation of the annual accounts and their presentation to the General Shareholders' Meeting.
- f) The formulation of any type of report required by Law to the board of directors provided that the operation it relates to cannot be delegated.
- g) Appointment and dismissal of the managing directors of the Company, as well as the establishment of the terms and conditions of their contracts.
- h) The appointment and dismissal of the directors directly depending on the Board of Directors or of any of its members, as well as the establishment of the basic terms and conditions of their contracts, including their remuneration.
- i) Decisions related to the remuneration of the Directors, within the statutory framework and, when applicable, the remuneration policy approved by the General Shareholders' Meeting.
- j) The call of the General Shareholders' Meeting and the preparation of the agenda and the draft agreements.
- k) The policy regarding the treasury shares.
- l) The powers that the General Shareholders' Meeting would have delegated on the Board of Directors, unless it would have been expressly authorised by the General Shareholders' Meeting to sub-delegate them.
- m) The approval of the strategy or business plan, the management objectives and the annual budget, the investment and financing policy, the corporate social responsibility and the dividends policy.
- n) The determination of the risk assessment and management policy, including tax risks, and the monitoring of internal information and control systems.
- o) The determination of the corporate governance policy of the Company and of the group that it is the parent of; its organisation and functioning and, in particular, the approval and modification of its own Rules.

p) The approval of the financial information which, being listed, must be made public by the Company regularly.

q) The definition of the structure of the corporate group which the Company is the parent of.

r) The approval of any investments or transactions which, given their significant amount or special characteristics have a strategic nature or special tax risk, unless their approval corresponds to the General Shareholders' Meeting.

s) The approval of the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Company and its group.

t) The approval, upon prior report from the Audit Committee, of the operations that the Company or companies of its group perform with the Directors, in the terms of the Capital Companies Act, or with significant shareholders, either individually or by agreement with others, including shareholders represented on the Board of Directors of the Company or of other companies which belong to the same corporate group or with people related to them. Only those operations which simultaneously meet the following three characteristics will be exempted from this approval:

1. Those governed by standard contracts applied on an across-the-board basis to a large number of clients.

2. Those made at market rates that are generally set by suppliers of the goods or services in question, and

3. Those worth less than 1% of the Company's yearly revenues.

u) The determination of the tax strategy of the Company.

4.- Under urgent and duly justified circumstances, decisions regarding the matters between letters (m) and (u) (both inclusive) of the previous section, may be made by the delegated bodies or persons, but must be notified at the first meeting of the Board of Directors held after the decision is made.

5.- The Board of Directors must conduct an evaluation of how it functions and how its Committees function and, based on the results thereof, propose an action plan to remedy the deficiencies detected. The results of the evaluation will be recorded in the minutes of the session or will be included as an appendix.

Article 6. Creation of Value for the Shareholder and other interests.

1.- The principle that must govern the performance of the Board of Directors at all times is the maximisation of the Company's value, to which end the Board will determine and review the Company's business and financial strategies.

2.- Within the scope of the corporate organization, the Board of Directors shall adopt the necessary measures in order to guarantee:

- a) That Company's General Management seeks to create value for its shareholders and has the adequate resources to do so.
- b) That Company's General Management is under the effective supervision of the Board of Directors.
- c) That no person or reduced group of persons have decision-making powers which are not subject to counterbalances and controls.
- d) That no shareholder receives a privileged treatment compared to other shareholders.

3.- Maximisation of the Value of the Company, in the interest of the shareholders, must be carried out by the Board of Directors within the demands imposed by Law, complying in good faith with the contracts concluded with workers, suppliers, financiers and clients and, in general, observing the ethic duties that are reasonably appropriate for the responsible conducting of business.

CHAPTER III. BOARD COMPOSITION.

Article 7. Composition.

1.- The Board of Directors will consist of the number of Directors determined by the General Shareholders' Meeting, within the limits established by the Company's Articles of Association, as applicable.

2.- The Board of Directors shall propose to the General Shareholders' Meeting the number which, according to the circumstances of the Company at each given moment, deems most suitable to ensure the appropriate representation and efficient operation of the Body. The proposed number will be not less than seven and will never exceed fifteen.

3.- In exercising its powers of proposal to the General Shareholders' Meeting and of co-optation to fill vacancies, the Board of Directors shall ensure a balanced composition, with a substantial majority of non-executive Directors and an adequate proportion between dominical and independent Directors, with the latter representing at least one third of the Directors.

To this regard, Executive Board Members will be considered as those who are managing Directors or those who, not holding said position, have management responsibilities within the Company or its group, regardless of the legal bond they have with it.

CHAPTER IV. STRUCTURE OF THE BOARD OF DIRECTORS.

Article 8. The Chairman of the Board.

1.- The Chairman of the Board of Directors will be appointed from amongst its members, following a report from the Nomination and Remuneration Committee. If this role is vested with executive functions, the Board of Directors must decide on the matter and agree on the content of the relevant delegation of powers with a favourable vote from two thirds of its members.

2.- The Chairman is responsible for calling the Board of Directors, organising the agenda for the meeting and acting as moderator during the debates. However, the Chairman must call the

Board and include in the agenda the corresponding relevant matters when so requested by at least one third of the Directors. The Chairman also holds the power to ensure that the Directors receive sufficient information in advance, in order to deliberate over the points of the agenda, to promote the debate and the active participation of the Directors during the sessions, safeguarding their free positioning, and chairing the General Shareholders' Meeting.

3.- If the Chairman of the Board of Directors is also the Company's top executive, the Board of Directors, with the abstention of the executive Directors, shall appoint a coordinating Director among the independent Directors, who will be particularly empowered to call the Board of Directors or to include new points in the agenda of a Board Meeting that has already been called, to coordinate and convene the non-executive Directors and to address the Board of Directors' periodic assessment of its Chairman. The coordinating director will also be empowered to: chair the Board of Directors in the absence of the Chairman and Vice Chairmen, if any; voice the concerns of non-executive Directors; maintain contact with investors and shareholders to gain insight on their perspectives so as to form an opinion of their concerns, particularly regarding the corporate governance of the Company; and coordinate the Chairman succession plan.

Article 9. The Secretary of the Board.

1.- The Secretary of the Board of Directors may or not be a Director, as determined by the Board of Directors at each given moment. The Board of Directors will agree on the appointment of the Secretary of the Board of Directors following a report from the Nomination and Remuneration Committee.

2.- The Secretary shall be responsible for assisting the Board in its duties and shall ensure the Board's proper operation, especially, providing advice to the Directors who may so request, recording properly the progress of the meetings in the minutes book and attesting to the agreements of the Body.

4.- The Board Secretary will discharge the function of the Board's Legal Advisor, provided that the Secretary is a Lawyer.

5.- Aside from the roles assigned by Law and the Articles of Association or the present Rules, the Secretary of the Board must perform the following functions:

a) Keep the documentation of the Board of Directors, record the progress of the meetings in the minutes book and attest to their content and the resolutions adopted.

b) Ensure the Board of Directors' actions meet all applicable standards and are in accordance with the Articles of Association and other internal standards.

c) Assist the Chairman so that the Directors receive the relevant information to discharge their roles, sufficiently in advance and in the appropriate format.

Article 10. Committees of the Board of Directors

Notwithstanding the individual delegations of powers to the Chairman or to any other Director, if any, and the Board's right to set up an Executive Committee, with whatever decision-making powers granted, there will always be an Audit Committee and a Nomination and Remuneration Committee with informational, advisory and proposal powers in the matters established in the following articles.

The Board of Directors might set up a Monitoring and Control Committee whose composition and operating rules are in line with those applicable to the mandatory committees, including:

- a) That it is constituted exclusively by non-executive directors, with a majority of independent directors.
- b) That it is chaired by an independent Director.
- c) That the Board of Directors appoints its members with regard to the knowledge, skills and experience of its Directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) That the Commission may engage external advice, when they feel it necessary for the discharge of their functions.
- e) The Meeting proceedings should be minuted and a copy made available to all board members.

Article 11. The Audit Committee.

The composition, functions and functioning standards of the Audit Committee will be adapted to the provisions stipulated by Law, the Articles of Association, these Rules of the Board and the Audit Committee Rules.

The Audit Committee will consist of at least three and no more than five non-executive Directors appointed by the Board of Directors of the Company. The majority of these must at least be independent Directors and one shall be appointed based on his knowledge and experience in accounting, auditing or both.

The Auditing Committee shall adopt its resolutions with the absolute majority of the Directors attending the meeting, whether present or represented by proxy.

Article 12. The Nomination and Remuneration Committee

The composition, functions and operating rules of the Nomination and Remuneration Committee will be adapted to the provisions stipulated by Law, the Articles of Association, these Board Rules and the Rules of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee will consist of at least three and no more than five non-executive Directors appointed by the Board of Directors of the Company. Two of these must at least be independent Directors.

The Nomination and Remuneration Committee shall adopt its resolutions with the absolute majority of the Directors attending the meeting, whether present or represented by proxy.

CHAPTER V. OPERATION OF THE BOARD.

Article 13. Meetings of the Board of Directors.

1.- The Board of Directors shall meet at least eight times a year in a regular session with sessions held at least once every quarter.

The Board will also meet at the Chairman's request, as many times as this person deems appropriate for the smooth running of the Company, or when requested by at least one third of the members of the Board. Should the Chairman also be the Company's top executive, the Board of Directors will also meet at the request of the independent coordinating Director empowered to this end.

2.- The Board will prepare an annual plan of the ordinary sessions.

3.- The call for regular sessions shall be issued in writing by post, fax, telegram or email, which will be issued by the Chairman or, under his instructions, by the Secretary. The call shall be made at least five days in advance. The call shall always include the meeting's agenda.

4.- Once the call has been received, any Director can separately propose other points of the agenda that had not initially been included.

5.- When, in an exceptional case, the Chairman wishes to submit decisions or agreements that were not included in the agenda for the approval of the Board of Directors, the express consent of the majority of the Directors attending the meeting must first be provided.

6.- Any extraordinary sessions of the Board can be called by telephone and the notice period will not apply, nor will any other requirements indicated in the previous three sections, when, to the Chairman's judgement, the circumstances require a session and the call is immediately confirmed by fax or email.

7.- The Board shall be understood to be validly constituted without prior notice, when all its members are present or represented and unanimously agree to hold the meeting.

8.- Agreements can also be adapted in writing and without holding a session, providing the requirements established in corporate legislation are met.

Article 14. Holding Sessions.

1.- Regarding the voting and attendance quorum, this shall be governed by the provisions of the Law and the Articles of Association.

2.- Directors shall make their best efforts to attend Board meetings and, when unable to attend a meeting in person, they shall delegate their vote to another Director with no restriction on the number of proxies each member may hold to consider the meeting convened. Proxy may be granted in writing through any media and shall include the direction of the vote for each of the matters mentioned in the agenda.

3.- Non-executive Directors can only designate their representation to another non-executive member.

4.- The Chairman will lead the discussion and will aim to encourage the participation of all the Directors in the Board's deliberations.

CHAPTER VI. APPOINTMENT AND REMOVAL OF DIRECTORS.

Article 15. Appointment of Directors.

1. Directors shall be designated by the General Meeting or, in the event of an unexpected vacancy, by the Board of Directors, pursuant to the Spanish Corporate Enterprise Act and to the Company's Articles of Association.

2. Any proposal for the appointment or re-election of directors submitted by the Board of Directors for the approval of the General Shareholders' Meeting and any appointment decisions taken by the Board by co-option shall be preceded by the corresponding proposal by the Nomination and Remuneration Committee, in the case of Independent Directors, or by a report from the Board itself in all other cases. Any proposal must be accompanied, in any case, by an explanatory report from the Board, assessing the competence, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Shareholders' Meeting or to those of the meeting of the Board. The proposal for the appointment or re-election of any non-independent Director must also be preceded by a report from the Nomination and Remuneration Committee.

3. The previous paragraph will also apply to any natural person appointed to represent a Director who is a legal entity. The proposal of a natural person representative must be submitted to the report of the Nomination and Remuneration Committee.

4. Should the Board decide not to follow the proposals of the _Nomination and Remuneration Committee, it shall motivate and keep record of its reasons for such decision.

5.- The Board of Directors shall coordinate with the Company's senior management the creation of an induction programme for new Directors to acquaint them rapidly and sufficiently with the workings of the Company and its corporate governance system. Likewise, Directors should also be offered refresher programmes when circumstances so advise.

Article 16. Appointment of External Directors.

1.- When selecting a candidate, the Board of Directors shall attempt to ensure that that person has acknowledged solvency, competence and experience, with special care being taken when selecting persons to hold office as independent Directors.

2.- Independent Directors are those who have been appointed in view of their personal and professional qualifications and can carry out their duties without being compromised by their relationships with the Company or its group, its significant shareholders or its managers.

3.- Independent Directors shall in no case be designated if:

a) They have been employees or executive Directors in Group companies, unless 3 or 5 years, respectively, have passed since they ceased to be so.

b) They receive any amount or benefit from the Company or its Group companies for any reason other than remuneration of their directorship, unless it is insignificant.

Dividends or pension supplements received by the Director for his/her former professional or labour relationship shall not be taken into account, for the purposes of the paragraph above, insofar as such supplements are unconditional and, therefore, their accrual cannot be discretionally suspended, modified or revoked by the paying company without breach of its obligations.

c) They are individuals who are or have been in the last 3 years partners to the external auditor or person responsible for the auditing report, whether such period's audit corresponds to the Company or any other Group company.

d) They are executive Directors or senior managers of a different company where an executive Director or senior manager of the Company holds a Non-executive Director position.

e) They are individuals who maintain or have maintained in the last year an important business relationship with the Company or Group companies, whether on his/her behalf or as significant shareholder, director or senior manager of an entity maintaining such relation either at present or in the past.

Business relations will be those of supplier of goods or services, including financial ones, or of advisor or consultant.

f) They are significant shareholders, executive Directors or senior managers of an entity receiving donations from the Company or its Group currently or in the last 3 years.

Mere trustees of a Foundation receiving donations are excluded from this list.

g) Spouses, individuals with an analogous relationship, or relatives up to the second degree of an executive Director or senior manager of the Company.

h) Individuals not proposed by the Nomination and Remuneration Committee, whether for appointment or re-election.

i) Individuals how have been Directors for a continuous period of more than 12 years.

j) Individuals who, with respect to a significant shareholder or shareholder represented on the Board, meet the conditions of paragraphs a), e), f) or g). In cases of family relationships described under letter g), such restriction shall be applied not only to the shareholder, but also to his/her dominical Directors in the investee company.

Dominical Directors who loose such a title following the sale by the shareholder they represent of their shareholding may only be re-elected as independent Directors when the shareholder they represented up to that moment sold his/her entire shareholding in the Company.

A director with Company shares may be an independent Director provided that he/she meets all the requirements pursuant to this Section 3 and does not hold a significant shareholding.

Article 17. Term of Position.

1.- Directors shall stay in office for the term established in the Articles of Association at each given moment.

2.- If a Director has been co-opted, he/she shall stay in office until the first Shareholders'

Meeting is held, in the applicable legislation terms at each given moment.

Article 18. Removal of Directors.

- 1.- Directors dismissal shall comply with the legislation in force at each given time.
- 2.- Directors must tender their resignation to the Board of Directors and formalise their resignation, if the latter deems it appropriate, in the following events:
 - a) If the Director is a dominical Director, this must tender his/her resignation when the represented shareholder sells its entire shareholding or reduces it to a level that requires the reduction of its number of dominical Directors.
 - b) When they are disqualified on the grounds of conflict of interest or any other legal grounds.
 - c) When processed for any criminal offence or when subjected to disciplinary measures for serious or very serious breach determined by supervising authorities.
 - d) When seriously reprimanded by the Board of Directors upon prior report from the Nomination and Remuneration Committee upon breaching of Director's obligations.
 - e) When involved in a situation that raises a conflict of interest with the Company and they violate their duty of disclosure and abstention.
 - f) When the non-competition obligation is not met.
- 3.- Directors shall inform the Board of any criminal charges brought against them and the progress of any subsequent trial.

Should a Director be processed or tried for any of the crimes stated in Article 213 of the Capital Companies Law, the Board shall examine the matter as soon as possible and decide whether or not he or she should be called on to resign. The Board shall disclose all such determinations in the Annual Corporate Governance Report.

Directors shall always report and, if applicable, resign if they are involved in a situation that may harm the Company's name and reputation.

4.- The Board of Directors shall not propose the dismissal of an independent Director before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee.

Article 19. Impartiality. Voting Secrecy.

All votes of the Board of Directors concerning the appointment, re-election or dismissal of Directors shall be secret, if so requested by the Chairman or any Director.

CHAPTER VII. INFORMATION PROVIDED TO DIRECTORS.

Article 20. Powers to Gather Information.

1.- The Director may request any necessary information about the Company in reasonable

terms, insofar as so required by the performance of his/her duties. The right to information also affects subsidiary companies, whether Spanish or foreign.

2.- Unless the Board of Directors has been incorporated, or has been exceptionally called for emergency reasons, the Directors must be sufficiently provided in advance with the information necessary to deliberate on and adopt agreements on the matters to be discussed.

3.- In order not to impair the ordinary course of the Company's business, these powers shall be channelled through the Chairman, who shall, in collaboration with the Secretary, address the requests of the Director, either directly disclosing him/her the information, identifying the appropriate persons of the Company, or arranging the necessary measures to enable the Director to perform the required inspection or examination procedures.

Article 21. Expert Support.

1.- Non-executive Directors shall propose expert advice on legal, accounting, financial, or other matters at the Company's expense to be aided during furtherance of their duties. The request must necessarily deal with concrete problems of certain complexity.

2.- The request must be made to the Chairman of the Board of Directors and may be vetoed by the Board of Directors if:

- a) It is not necessary for the appropriate performance of the duties entrusted to external Directors.
- b) The cost is not reasonable in view of the importance of the problem and of the assets and income of the Company.
- c) The assistance requested may be adequately provided by the Company's in-house experts and technicians or other professionals already hired by the same.
- d) It may entail a risk to the confidentiality of the information that must be processed.

CHAPTER VIII. REMUNERATION OF THE BOARD.

Article 22. Remuneration of the Board.

1.- Board members shall have the right to any remuneration that may be due to them, in accordance with the Articles of Association. In any case, they shall have the right for reimbursement for any travel and accommodation expenses incurred while performing their duties as Board Members, supported by documentary evidence.

2. The Board shall seek to ensure that the remuneration of its members is determined by taking market rates into account.

3. Board remuneration shall be transparent and the Report and Annual Report regarding Directors' remuneration shall provide information on this, in the terms and conditions required by the applicable law at any time.

CHAPTER IX. DUTIES OF DIRECTORS.

Article 23. General Duty of Care.

1.- Pursuant to Article 6 of these Rules, Director's function is to guide and control the Company's management in order to maximize the value of the Company to the benefit of its shareholders.

2.- Directors must perform their duties and fulfil whatever obligations imposed by Law, the Articles of Association and these Rules with the proper care of a dedicated professional, bearing in mind the nature of the position and the functions attributed to each one of them, and being specifically obliged to:

a) Prepare thoroughly and gather all the relevant information for the meetings of the Board of Directors and any Bodies or Committees to which they belong to. In the performance of their functions, Directors are obliged to demand, and have the right to receive from the Company, the appropriate and necessary information to fulfil their obligations.

b) Show appropriate dedication and adopt the measures required for the proper management and control of the Company.

None Director can belong simultaneously to more than four Boards of Directors of listed companies not related to the Company and to its group.

c) Attend the meetings of the bodies or committees to which they belong and become actively involved in the discussions in order to contribute in an efficient manner to the decision-making process. If, for good reason, he/she cannot attend the meetings to which he/she has been convened, he/she must inform, insofar as is possible, the Director who is to represent him/her, subject to section 3 of article 14 of these Rules.

d) Perform any specific task entrusted to him/her by the Board of Directors that seems reasonably included within his/her dedication commitment.

e) Investigate any irregularity in the management of the Company that has come to his/her notice and monitor any potentially risky situation.

f) Urge the persons with the capacity to convene the Board of Directors to call for an extraordinary meeting and include items in the agenda that they deem appropriate.

g) Advise the Nomination Committee of any other professional obligations, in case they might interfere from the necessary dedication.

Article 24. Duty of Loyalty.

1.- Directors must perform their functions with the loyalty of a faithful representative, engaging in good faith and in the best interest of the Company.

2.- The duty of loyalty specifically obliges Directors to:

a) Refrain from exercising his/her powers for purposes other than those for which they have been granted.

b) Keep secret the information, details, reports or background to which he/she has had access in the realisation of his/her duties, even upon termination thereof, except in cases permitted or required by the Law. When the Director is a legal person, the duty of secrecy also falls upon its representative.

c) Refrain from participating in the deliberation and voting of resolutions or decisions in which he/she or a related party has a direct or indirect conflict of interest. The preceding duty to abstain from action does not apply to any agreements or decisions relating to the Directors' status per se, such as their appointment or revocation for positions on the Board of Directors or others of similar effect.

d) Carry out their mandate in accordance with the principle of personal responsibility with freedom of judgement and independence from third parties instructions and ties.

e) Take any measures necessary to avoid situations in which their interests, whether directly or indirectly, may conflict with the corporate interest and their duties to the Company.

Article 25. Obligation to avoid situations of conflict of interest.

1.- The obligation to avoid situations of conflict of interest referred to in section e) of article 24, section 2 above, obliges the Director to refrain from:

a) Performing transactions with the Company, unless they have been approved by the Board of Directors, based on a report from the Audit Committee, or they are transactions exempt from said approval, pursuant to article 5.3.t) of these Rules.

b) Using the name of the Company or invoke their status as Directors to unduly influence the execution of private transactions.

c) Making use of the corporate assets, including confidential information of the Company, for private purposes.

d) Benefiting from Company's business opportunities.

e) Obtaining benefits or remuneration from third parties other than the Company and its group, in relation to carrying out their functions, unless they are merely out of courtesy.

f) Carrying out activities either personally or for another party that represent a real competence, either current or possible, with the Company or which in any other way, put him/her in permanent conflict with the Company's interests.

2.- The above provisions shall also apply where the beneficiary of the actions or prohibited activities is a person related to the Director.

3.- Directors shall notify the Board of Directors of any situation of direct or indirect conflict of interest that they or their related persons may have with the Company.

4.- Directors' conflicts of interest must be disclosed in the Company's annual report.

Article 26.- Rules on Waivers.

1.- The Company may however waive the prohibitions contained in the previous section in individual cases, authorizing a Director or an associated person to execute a transaction with the Company, to use certain corporate assets, to take personal advantage of a specific business opportunity, or to obtain benefits or compensation from a third party.

2.- The authorisation must be approved by the General Shareholders' Meeting when its purpose is to waive the prohibition of obtaining an advantage or compensation from third parties, or when it affects a transaction whose value is greater than ten percent of the Company's assets.

3.- Authorisation may be also granted in other cases by the Board of Directors, provided the independence of the members granting such authorisation with regard to the exempt Director can be guaranteed. The Company must also ensure that the authorised transaction does not harm its shareholders' equity or, where applicable, ensure its performance under market conditions and the transparency of the process.

4.- The obligation of not competing with the Company may only be waived if no damage is expected to be caused to the Company or if the Company is expected to be compensated with the profit that such Director may obtain. The waiver will be granted through an express and separate resolution of the General Shareholders' Meeting. In all cases, at the request of any shareholder, the General Shareholders' Meeting will decide on the dismissal of the Director performing competitive activities when the risk of the Company being affected becomes relevant.

Article 27.- Related Persons to Directors.

1.- For the purposes of these Rules, Related Persons to Directors are understood as being the following:

1°.- The spouse of the Director or persons of a similar status.

2°.- Ascendants, descendants and siblings of the Director or of the Director's spouse.

3°.- The spouses of the Director's ascendants, descendants and siblings.

4°.- Companies in which the Director, directly or via an intermediate party, is in one of the situations described in the first section of article 42 of the Code of Commerce.

2.- When the Director is a legal person, the Related Persons are understood to be the following:

1°.- The shareholders who are, with respect to the legal person Director, in one of the situations described in the first section of article 42 of the Code of Commerce.

2°.- The directors, de jure or de facto, the liquidators, and those representatives holding general powers over the legal person Director.

3°.- The companies which form part of the same group, just as this is defined in article 42 of the Code of Commerce, and their shareholders.

4°.- The persons who are Related Persons to the representative of the legal person Director pursuant to this section shall be also considered Related Persons to the Directors.

Article 28. Directors' duty to inform.

Directors must notify the Company of any event or situation that may be significant for their operation as Director of the Company.

CHAPTER X. BOARD RELATIONS AND PUBLIC INFORMATION.

Article 29. Reports to be issued by the Board of Directors

1.- On an annual basis, the Board of Directors will approve a Corporate Governance Report for the Company which will always include the terms specified by Law, and will meet the publicity and disclosure requirements of the Shareholders pursuant to the Capital Companies Act.

2.- The Board of Directors will prepare and publish an Annual Report on Directors' Remuneration, including all terms specified by Law.

3.- The Board of Directors can also approve, and if applicable publish, any other relevant reports in relation to the roles that legally correspond or are attributed to it.

Article 30. Website

1.- The Company shall have a corporate website to fulfil Shareholders' right to information as well as to disseminate obligatory information in accordance with Law and legislation that implements it, and to disseminate and publish any other information, standards or documents that the Board of Directors deems appropriate.

2.- The Board of Directors is responsible for keeping the information on the Company website up to date and for coordinating its contents in line with the documents deposited or registered in the corresponding public registries.

3.- The Audit Committee is responsible for checking that the financial information published on the Company's corporate website is permanently up to date and that it tallies with what has been passed or formulated by the Board of Directors and published on the website of the National Stock Market Commission. If, after the check, the Committee is not satisfied with some aspect, it will notify the Board of Directors of its opinion.

4.- The Nomination and Remuneration Committee will check that the information regarding Directors which is published on the Company's corporate website is sufficient and adequate and meets the recommendations of the Code of Good Governance for Listed Companies published by the National Stock Market Commission.

Article 31. Relations with the Shareholders

1.- The Board of Directors shall arrange the appropriate channels to hear any proposals made by Shareholders in relation to the Company's management.

2.- Through its Directors and with the collaboration of the members of senior management deemed appropriate, the Board can organise meetings regarding the progress of the Company and of its Group for Shareholders who reside in the most important financial positions.

3.- The Board of Directors shall encourage the informed participation of the Shareholders at the Shareholders' Meetings and shall adopt as many measures as appropriate to help the General

Shareholders' Meeting to truly exercise the its functions pursuant to Law and the Articles of Association. To this regard, it will submit the Rules for said Corporate Body to the General Shareholders' Meeting approval.

More specifically, the Board of Directors will adopt the following measures:

- a) Prior to the meeting, all Shareholders shall be provided with any information which is legally required.
- b) It shall deal with requests for information from Shareholders with the utmost diligence and prior to the General Shareholders' Meeting, in terms of the legislation applicable at each given time.
- c) It shall likewise deal with questions put forward by the Shareholders when the General Shareholders' Meeting is held, according to the terms of applicable legislation.

Article 32. Relations with the Institutional Shareholders

- 1.- The Board of Directors will establish adequate mechanisms for the regular exchange of information with the institutional investors forming part of the Company's shareholding.
- 2.- Under no circumstances shall relations between the Board of Directors and the institutional shareholders lead to the delivery to the latter of information which might place them in a position of privilege or provide them with an advantage over the other Shareholders.

Article 33. Relations with Markets

- 1.- The Board of Directors shall ensure strict compliance with obligations regarding the reporting requirement to Markets, according to the terms of applicable legislation.
- 2.- The Board of Directors shall also guarantee that periodic financial information, other than the Annual Financial Statements and, in general, any other information disclosed to the Markets, is prepared pursuant to the same professional principles, criteria and practices applied to the Annual Financial Statements and that such information is as reliable as the latter.
- 3.- The Board of Directors shall include information about the Company's corporate governance system in its annual public documentation.

Article 34. Relations with Auditors.

- 1.- The Board of Directors' relations with the Company's external Auditors shall be channelled through the Audit Committee, pursuant to the Articles of Association and the Rules of the Audit Committee.
- 2.- The Board of Directors shall inform in the Annual Report the remuneration paid to the audit entity in each period for services other than auditing.
- 3.- The Board of Directors shall prepare the Annual Financial Statements in order to avoid Auditor's qualifications. However, when the Board considers that its criteria should remain, then it will explain the content and scope of the discrepancy.