

REPORT PREPARED BY THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. REGARDING AMENDMENT TO THE BOARD OF DIRECTORS REGULATIONS

1. PURPOSE OF THE REPORT

The board of directors of Ence Energía y Celulosa, S.A. (the "**Company**") prepares this report pursuant to article 528 of the Spanish Companies Law, for the purpose of informing the general shareholders' meeting called for 27 April 2015, at 12.30 pm, on first call, and 28 April 2015, at the same time, on second call, of the amendment of certain articles of the regulation of the board of directors. Said amendment was approved by the board of directors of the Company on 25 March 2015, although it has been deemed convenient to defer the entry into force of the amendment until the general shareholders' meeting approves, if appropriate, the amendment to the bylaws and the regulation of the general shareholders' meeting.

2. GENERAL GROUNDS FOR AMENDMENT

In terms similar to the grounds for the proposed amendment of the bylaws and of the regulation of the general shareholders' meeting of the Company, the reform of certain articles of the regulation of the board of directors of the Company has been prompted by the need to adapt the text to the innovations introduced by Law 31/2014, of 3 December, amending the Spanish Companies Law to improve corporate governance (the "**Law 31/2014**"). This reform seeks to update and technically improve certain items in the board of directors regulations, with the main objective of achieving greater clarity in its wording and greater consistency with the provisions of the recently amended Spanish Companies Law.

3. ANALYSIS OF THE AMENDMENTS

With the general outlines of the reform as set out, the following is a more detailed grounding and explanation of the specific amendments of certain articles of the Company's board of directors regulations.

3.1 Amendment to article 3 of the board of directors regulations regarding the amendment of its own regulations

Section 1 of article 3 is amended to add the possibility that this regulation may also be amended at the proposal of the audit committee or of the appointments and remuneration committee by a majority resolution.

Consequently, section 1 of article 3 is worded as follows:

Previous version	Current version
<p>Article 3. Amendment</p> <p><i>1. This Regulation may be amended only at the proposal of the Chairman, the Vice-Chairman (or the first of these if there is more than one) or of a third of the current directors.</i></p>	<p>Article 3. Amendment</p> <p><i>1. This Regulation may be amended only at the proposal of the Chairman, the Vice-Chairman (or the first of these if there is more than one), <u>by a majority resolution of the Audit Committee or of the Appointments and Remuneration Committee</u> or by a third of the current directors.</i></p>

3.2 Amendment to article 5 of the board of directors regulations regarding the general oversight function

First, the purpose of the amendment of section 3 of this article is to refer the non-delegable powers of Company's board of directors to the Spanish Companies Law and to remove the detailed identification of the same, so as to prevent a minor variation in the legally non-delegable powers resulting in an amendment of the board of directors regulations in the future.

Second, section 4 is moved to article 40 (see below).

Lastly, section 5 of this article is amended to establish that, as an exception, in the event of duly justified reasons of urgency, the bodies or delegated persons may adopt non-delegable powers, in accordance with article 529 ter of the Spanish Companies Law.

Consequently, article 5 is worded as follows:

Previous version	Current version
<p>Article 5. General oversight function</p> <p>1. Except in matters reserved to the General Meeting, the Board of Directors is the supreme decision-making body of the company</p> <p>2. The Board's policy is to delegate management of the company and to concentrate its activity on the general function of oversight.</p> <p>3. Powers reserved by the bylaws or by the law directly to the Board or powers necessary for responsible exercise of the oversight function may not be delegated.</p> <p>To the latter effects, the Board undertakes, in particular, to directly exercise the following responsibilities:</p> <p>a) approval of the company's general strategies, including the strategic plan and the business objectives and annual budgets;</p> <p>b) approval of an investment and financing policy;</p> <p>c) definition of the structure of the company group;</p> <p>d) approval of corporate governance and corporate social responsibility policies;</p> <p>e) appointment and, as the case may be, dismissal of executives with the highest responsibility in the company, and their compensation clauses, at the proposal of the company's chief executive;</p>	<p>Article 5. General oversight function</p> <p>1. Except in matters reserved to the Annual General Meeting, the Board of Directors is the supreme decision-making body of the company</p> <p>2. The Board's policy is to delegate management of the company and to concentrate its activity on the general function of oversight.</p> <p>3. <u>The Board of Directors may not delegate powers that are non-delegable under the Spanish Companies Law.</u> Powers reserved by the bylaws or by the law directly to the Board or powers necessary for responsible exercise of the oversight function may not be delegated.</p> <p>To the latter effects, the Board undertakes, in particular, to directly exercise the following responsibilities:</p> <p>a) approval of the company's general strategies, including the strategic plan and the business objectives and annual budgets;</p> <p>b) approval of an investment and financing policy;</p> <p>c) definition of the structure of the company group;</p> <p>d) approval of corporate governance and corporate social responsibility policies;</p> <p>e) appointment and, as the case may be, dismissal of executives with the highest responsibility in the company, and their severance clauses, at the proposal of the company's chief</p>

<p>f) remuneration and performance assessment policy of executives with the highest responsibility in the company;</p> <p>g) oversight of business activity;</p> <p>h) directors' remuneration and, for executives, additional remuneration for executive functions and approval of their contracts;</p> <p>i) approval of related-party transactions entered into by the company directly or indirectly with Directors, significant shareholders represented on the Board or with persons related therewith, except as envisaged in section 4 below;</p> <p>j) identification of the principal risks of the company and the implementation and monitoring of adequate internal control and information systems;</p> <p>k) The creation of special purpose vehicles or entities registered in tax havens, or the acquisition of ownership interests therein, as well as any other transactions or operations of a similar nature that could adversely affect the transparency of the group given their complexity;</p> <p>l) approve policy on treasury shares and, in particular, its limits;</p> <p>m) approve dividend policy and the limits thereto;</p> <p>n) approval of reporting and disclosure policies with shareholders, markets and the public;</p> <p>o) the decision on financial</p>	<p>executive;</p> <p>f) remuneration and performance assessment policy of executives with the highest responsibility in the company;</p> <p>g) oversight of business activity;</p> <p>h) directors' remuneration and, for executives, additional remuneration for executive functions and approval of their contracts;</p> <p>i) approval of related party transactions entered into by the company directly or indirectly with Directors, significant shareholders represented on the Board or with persons related therewith, except as envisaged in section 4 below;</p> <p>j) identification of the principal risks of the company and the implementation and monitoring of adequate internal control and information systems;</p> <p>k) The creation of special purpose vehicles or entities registered in tax havens, or the acquisition of ownership interests therein, as well as any other transactions or operations of a similar nature that could adversely affect the transparency of the group given their complexity;</p> <p>l) approve policy on treasury shares and, in particular, its limits;</p> <p>m) approve dividend policy and the limits thereto;</p> <p>n) approval of reporting and disclosure policies with shareholders, markets and the public;</p> <p>o) the decision on financial</p>
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<p>information that, as a listed company, the company is required to periodically disclose;</p> <p>p) exercise assessment functions of the Board itself and of its Committees pursuant to these Regulations;</p> <p>q) and, generally, approval of transactions that involve the disposal of substantial company assets and of large company operations that are strategic in nature owing to their elevated amount or special characteristics, unless such approval corresponds to the General Meeting.</p> <p>4. Authorisation by the Board of Directors envisaged in 3.i) above shall not, however, be deemed necessary in the case of related-party transactions that simultaneously meet all three of the following conditions:</p> <p>i) The transaction is carried out under a contract containing standard terms and conditions that are applied en masse to numerous other customers;</p> <p>ii) The transaction is carried out at prices or rates established in general by the party acting as the supplier of the goods or provider of the services concerned; and</p> <p>iii) The amount of the transaction does not exceed 1% of the company's annual revenues.</p> <p>5. A decision may be adopted by the Executive Committee in the transactions referred to in e), h), i), o) and p) of section 3 above in</p>	<p>information that, as a listed company, the company is required to periodically disclose;</p> <p>p) exercise assessment functions of the Board itself and of its Committees pursuant to these Regulations;</p> <p>q) and, generally, approval of transactions that involve the disposal of substantial company assets and of large company operations that are strategic in nature owing to their elevated amount or special characteristics, unless such approval corresponds to the General Meeting.</p> <p>4. Authorisation by the Board of Directors envisaged in 3.i) above shall not, however, be deemed necessary in the case of related-party transactions that simultaneously meet all three of the following conditions:</p> <p>i) The transaction is carried out under a contract containing standard terms and conditions that are applied en masse to numerous other customers;</p> <p>ii) The transaction is carried out at prices or rates established in general by the party acting as the supplier of the goods or provider of the services concerned; and</p> <p>iii) The amount of the transaction does not exceed 1% of the company's annual revenues.</p> <p>4. As an exception, in an urgent cases as warranted by resolutions relating to the transactions envisaged in section 3 e), h), i), k), o) and p) above of section 3, these may be adopted by the Executive Committee, with</p>
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<p><i>urgent cases, with subsequent ratification by the full Board.</i></p>	<p><i>subsequent ratification by the full Board</i> <u><i>that are duly justified, bodies or delegated persons may adopt powers that are non-delegable, in accordance with the Spanish Companies Law. Such decisions must be ratified in the first Board of Directors held following adoption of the decision.</i></u></p>
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3.3 Amendment to article 8 of the board of directors regulations regarding qualitative composition

Section 3 of this article is amended to include re-election of directors in accordance with article 529 decies of the Spanish Companies Law.

Consequently, section 3 of article 8 is worded as follows:

Previous version	Current version
<p>Article 8. Qualitative composition</p> <p><i>3. The Board of Directors will explain the character of each director to the General Shareholders' Meeting due to effect or ratify the appointment of such director. Such character will be reviewed annually, following verification by the Appointments and Remuneration Committee and duly recorded in the Annual Corporate Governance Report.</i></p>	<p>Article 8. Qualitative composition</p> <p><i>3. THE BOARD OF DIRECTORS WILL EXPLAIN THE CHARACTER OF EACH DIRECTOR TO THE GENERAL SHAREHOLDERS' MEETING DUE TO EFFECT OR RATIFY THE APPOINTMENT <u>or re-election</u> OF SUCH DIRECTOR. SUCH CHARACTER WILL BE REVIEWED ANNUALLY, FOLLOWING VERIFICATION BY THE APPOINTMENTS AND REMUNERATION COMMITTEE AND DULY RECORDED IN THE ANNUAL CORPORATE GOVERNANCE REPORT.</i></p>

3.4 Amendment to article 8 of the board of directors regulations regarding the director categories

First, section 1 of this article is amended to adjust the definition of executive director and proprietary director and include the definition of non-executive director, in accordance with article 529 duodecies of the Spanish Companies Law.

Second, section 3.f) of this article is amended to eliminate the requirement that donations received by the Company or Group must be "significant" to consider that the director in question is not independent, in accordance with article 529 duodecies of the Spanish Companies Law.

Consequently, article 8.1 and 8.3.f) are worded as follows:

Previous version	Current version
<p>Article 8 bis. Director categories</p> <p>1. Executive directors are directors that perform senior management functions or are employees of the company or its group. For the purposes of this Regulation, when a director performs senior management functions in the company or in companies of its group and, at the same time, is or has been proposed by a significant shareholder or shareholder represented on the Board, such director shall also be considered an executive director.</p> <p>Directors that are senior executives or directors of company parents shall, on the other hand, be considered proprietary.</p>	<p>Article 8 bis. Director categories</p> <p>1. Executive directors are directors that perform senior management functions or are <u>employees</u> of the company or its group. For the purposes of this Regulation, when a director performs senior management functions in the company or in companies of its group and, at the same time, is or has been proposed by <u>or represents</u> a significant shareholder or shareholder represented on the Board, such director shall also be considered an executive director.</p> <p>Directors that are senior executives or directors of company parents <u>companies in the Company parent</u> shall, on the other hand, be considered proprietary.</p> <p><u>The other Company directors shall be non-executive directors, and may be classified as proprietary, independent or other external directors.</u></p>

<p>3.</p> <p><i>f) They are significant shareholders, executive directors or senior managers of an entity that receives, or has in the last 3 years received, significant donations from the company or its group.</i></p> <p><i>Not included herein are trustees of a foundation that receives donations.</i></p>	<p>3.</p> <p><i>f) They are significant shareholders, executive directors or senior managers of an entity that receives, or has in the last 3 years received, significant donations from the company or its group.</i></p> <p><i>Not included herein are trustees of a foundation that receives donations.</i></p>
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3.5 Amendment to article 10 of the board of directors regulations regarding the chairman of the board

First, section 1 of this article includes the need for a preliminary report submitted by the appointments and remuneration committee for the election of the chairman of the board of directors of the Company, in accordance with article 529 sexies of the Spanish Companies Law. Further, in order to bring the wording into line with article 529 septies of the Spanish Companies Law, it allows for the post of chairman to be held by an executive director and introduces the obligation to designate a lead independent director if the chairman is an executive director.

Lastly, section 3 of this article is amended to include the power of the lead independent director to call a meeting of the board and require that such meeting take place, if requested by a third of the directors, if, at the request of the chairman, it has not been held within one month, in accordance with articles 246.2 and 529 septies of the Spanish Companies Law.

Consequently, sections 1 and 3 of article 10 are worded as follows:

Previous version	Current version
<p>Article 10. Board Chairman.</p> <p><i>1. The Chairman of the Board of Directors shall be elected by the Board from among its own members.</i></p>	<p>Article 10. Board Chairman</p> <p><i>1. The Chairman of the Board of Directors shall be elected by the Board from among its own members, <u>further to a report by the Appointments and Remuneration Committee.</u></i></p>

<p>3. The Chairman shall preside over the Board of Directors. The Chairman shall have the ordinary power to call a meeting of the Board of Directors, to decide on the agenda of its meetings and to direct its deliberations. The Chairman must call a meeting of the Board and include the relevant items in the agenda when requested to do so by one third of the current directors.</p> <p><i>In the event of a tie in votes, the vote of the Chair shall be casting.</i></p>	<p><u>The post of Chairman of the Board of Directors may be held by an executive director. As the case may be, such designation shall require a favourable vote of two thirds of the members of the Board.</u></p> <p><u>In the event the Chairman is an executive director, the Board, with the abstention of the executive directors, will appoint a lead independent coordinator from among its own members, with the powers conferred by the Spanish Companies Law.</u></p> <p>3. The Chairman shall preside over the Board of Directors. The Chairman shall have the ordinary power to call a meeting of the Board of Directors, to decide on the agenda of its meetings and to direct its deliberations. The Chairman must call a meeting of the Board and include the relevant items in the agenda when requested to do so by <u>the lead independent coordinator, as the case may be, or one third of the current directors if, at the request of the Chairman, the lead independent director has failed, with no justified cause, to call such meeting within one month.</u></p> <p><i>In the event of a tie in votes, the vote of the Chair shall be casting.</i></p>
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3.6 Amendment to article 11 of the board of directors regulations regarding the vice-chairman

The purpose of the amendment of section 1 of this article is to include the need for a preliminary report submitted by the appointments and remuneration committee for the election of the vice-chairman of the board of directors of the Company, in accordance with article 529 sexies of the Spanish Companies Law.

Consequently, section 1 of article 11 is worded as follows:

Previous version	Current version
<p>Article 11. Vice-chairman</p> <p>1. The Board may designate one or more vice-chairmen. These shall be numbered correlatively.</p>	<p>Article 11. Vice-chairman</p> <p>1. The Board may designate one or more vice-chairmen <u>further to a report from the Appointments and Remuneration Committee</u>. These shall be numbered correlatively.</p>

3.7 Amendment to article 14 of the board of directors regulations regarding the board of directors delegated and advisory bodies

Section 3 of this article is amended to limit the self-regulation of the functioning of committees to matters no regulated by the bylaws or by the board of directors regulations, in accordance with article 529 sexies of the Spanish Companies Law.

With respect to the appointment of the chairman by the board, the phrase "may appoint" is replaced with "shall appoint", in accordance with article 529 sexies of the Spanish Companies Law.

Consequently, section 3 of article 14 is worded as follows:

Previous version	Current version
<p>Article 14. Board of Directors delegated and advisory bodies</p> <p>3. Committees shall regulate their own functioning. Notwithstanding, and except with regard to the Executive Committee, which shall be governed by the following article, the Board of Directors, in accordance with the provisions of the Bylaws, may appoint the Chairman and Secretary of such Committees. In the absence of an express appointment, the Secretary of the Board shall act as Secretary or, in his absence, the Vice-Secretary. Committee meeting</p>	<p>Article 14. Board of Directors delegated and advisory bodies</p> <p>3. Commissions shall regulate their own functioning <u>in matters not regulated by the bylaws or this regulation</u>. Notwithstanding, and except with regard to the Executive Committee, which shall be governed by the following article, the Board of Directors, in accordance with the provisions of the Bylaws, may appoint <u>shall appoint</u> the Chairman and Secretary of such Committees. In the absence of an express appointment, the Secretary of the</p>

Previous version	Current version
shall be called by the Chairman. In matters not expressly envisaged, the rules and regulations established by this Regulation for the Board shall apply, provided these are compatible with the nature and function of the Committee.	Board shall act as Secretary or, in his absence, the Vice-Secretary. Committee meeting shall be called by the Chairman. In matters not expressly envisaged, the rules and regulations established by this Regulation for the Board shall apply, provided these are compatible with the nature and function of the Committee.

3.8 Amendment to article 15 of the board of directors regulations regarding the executive committee

With regard to the possibility of permanent delegation of powers by the Company board of directors to the executive committee, section 2 of this article indicates that a favourable vote is required of two thirds of board members to be valid, in accordance with article 249.2 of the Spanish Companies Law.

Consequently, section 2 of article 15 is worded as follows:

Previous version	Current version
<p>Article 15. Executive Committee</p> <p>2. <i>Permanent delegation of powers by the Board of Directors to the Executive Committee shall comprise all Board powers, except those which are non-delegable under the law, the Bylaws and article 5 of these Regulations.</i></p>	<p>Article 15. Executive Committee</p> <p>2. <i>Permanent delegation of powers by the Board of Directors to the Executive Committee shall comprise all Board powers, except those which are non-delegable under the law, the Bylaws and article 5 of these Regulations, <u>and it shall require a favourable vote of two thirds of the Board members to be valid.</u></i></p>

3.9 Amendment to article 16 of the board of directors regulations regarding the audit committee

Article 16 is amended for the purposes of bringing its wording into line with article 529 quaterdecies of the Spanish Companies Law. Specifically, in section 1, the composition of the

audit committee is modified, such that, instead of comprising a "majority" of non-executive directors, it shall comprise "exclusively" such directors, with a minimum of two independent directors. It also includes the requirement that the chairman of the audit committee is elected from among the independent directors of the committee, and the regulation of the secretary of the audit committee.

In addition, it includes a reference to the Law and the Bylaws in the regulation of the functions of the audit committee and it amends sections 2, 3, 6, 7, 17 and 19 of section to complete the powers of the audit committee in accordance with article 529 quaterdecies of the Spanish Companies Law.

Lastly, in section 4, it broadens the capacity of representation of the members of the audit committee, allowing them to undertake up to two representations in addition to their own.

Consequently, section 1, sub-sections 2, 3, 6, 7, 17 and 19 of section 2 and section 4 of article 16 are worded as follows:

Previous version	Current version
<p>Article 16. Audit Committee.</p> <p>1. <i>The Audit Committee will comprise the number of directors as, within the requirements of the Bylaws, is determined by the Board of Directors. A majority of the members of the Audit Committee shall be non-executive directors of the Board of Directors, and at least one member of the Audit Committee shall be independent. Members of the Audit Committee, especially its Chairman, shall be designated with special account taken of their knowledge and experience in accounting, audit and risk management.</i></p> <p><i>The Chairman of the Audit Committee may not be elected from among the executive directors or the</i></p>	<p>Article 16. Audit Committee.</p> <p>1. <i>The Audit Committee will comprise the number of directors as, within the requirements of the Bylaws, is determined by the Board of Directors, <u>with a minimum of three and a maximum of seven members.</u> A majority of the Members of the Audit Committee shall be <u>exclusively</u> non-executive directors of the Board of Directors, , and at least one member of the Audit Committee shall be independent. Members of the Audit Committee, especially its Chairman, shall be designated with special account taken of their knowledge and experience in accounting, audit and risk management <u>at least two of which must be independent directors,</u></i></p>

Previous version	Current version
<p><i>proprietary directors, and must be replaced at least every four years. Such Chairman may be re-elected following elapse of one year since the end of his term.</i></p> <p>2. <i>Without prejudice to other tasks assigned by the Board, the Audit Committee shall have the following responsibilities:</i></p> <p>3) <i>oversee the internal audit of the Company on the basis of the annual internal audit plan the manager of this function presents each year, of the information provided on incidences that occur during its execution and the activities report such internal audit manager submits to the consideration of the Committee at the end of each year;</i></p>	<p><u><i>and one of which shall be designated taking account of his knowledge and experience in accounting, audit or in both.</i></u></p> <p>The Chairman of the Audit Committee may not be shall be elected from among the executive directors or the proprietary directors independent directors that are members, and may be re-elected following elapse of one year since the end of his term.</p> <p><u><i>The Board of Directors may designate the Secretary of the Committee from among its own members. In the absence of an express designation, the Secretary or the Vice-Secretary of the Board of Directors shall act as the Secretary of the Audit Committee, even if such secretaries are not directors.</i></u></p> <p>2. Without prejudice to other tasks assigned by the <u>Law, the Bylaws</u> or the Board, the Audit Committee shall have the following responsibilities:</p> <p>3) <u><i>regularly gather information from the Board on the audit plan and its execution and to</i></u> oversee the internal audit of the Company on the basis of the annual internal audit plan the manager of this function presents each year, of the information provided on incidences that occur during its execution and the activities report such internal audit manager submits to the consideration of the Committee at the end of each year;</p>

Previous version	Current version
<p>6) enter into the appropriate relations with the auditors to receive information about any issues that could compromise the independence of the auditors, for examination by the Committee, and any other matters related with the audit process, as well as the communications referred to in the legislation governing audits and in the technical audit standards;</p> <p>The Audit Committee must annually receive from the auditors or audit companies written confirmation of their independence from the company or from companies related to it directly or indirectly, and information on any additional services rendered to these companies by such auditors or audit companies, or by related persons or entities in accordance with the provisions of the Audit Law;</p> <p>7) issue on a yearly basis, prior to the issue of the audit report, a report setting out the opinion of the independence of the auditors or audit companies; this report must also express an opinion on the rendering of additional services referred to in the preceding paragraph;</p> <p>k) inform the Board of Directors, prior to adoption by it of the relevant decisions, on the creation of special purpose vehicles or entities</p>	<p>6) enter into the appropriate relations with the auditors to receive information about any issues that could compromise the independence of the auditors, for examination by the Committee, and any other matters related with the audit process, as well as the communications referred to in the legislation governing audits and in the technical audit standards;</p> <p>The Audit Committee must annually receive from the auditors or audit companies written confirmation of their independence from the company or from companies related to it directly or indirectly, and information on any additional services rendered to these companies <u>and fees paid by</u> these companies to such auditors or audit companies, or by related persons or entities in accordance with the provisions of the Audit Law;</p> <p>7) issue on a yearly basis, prior to the issue of the audit report, a report setting out the opinion of the independence of the auditors or audit companies; this report must also express an opinion on the rendering of additional services referred to in the preceding paragraph, <u>considered individually and as a whole, other than legal audit and in relation to the framework of independence or with the regulations governing audits;</u></p> <p>17) inform the Board of Directors, prior to adoption by it of the relevant decisions <u>on all matters envisaged in the Law, the Bylaws and in this</u></p>

Previous version	Current version
<p>registered in tax havens, or the acquisition of ownership interests therein, as well as any other transactions or operations of a similar nature that could adversely affect the transparency of the group given their complexity;</p> <p>19) others specifically envisaged in these Regulations.</p> <p>4. The Audit Committee will be validly constituted with the in-person attendance representation of a majority of its members and will adopt its agreements by a majority of the present or represented attendees. In the event of a tie in votes, the vote of the Chair shall be casting. Members of the Committee may delegate their representation in one of them, but none may undertake more than one representation in addition to their own.</p>	<p><u>Regulation, in particular</u>, on the creation of special purpose vehicles or entities registered in tax havens, or the acquisition of ownership interests therein, as well as any other related-party transactions or operations of a similar nature that could adversely affect the transparency of the group given their complexity;</p> <p><u>19) inform the Board of Directors on the general corporate social responsibility policy, including basic principles and the general framework of action for management of corporate social responsibility practices adopted by the Company;</u></p> <p><u>20) others specifically envisaged in these Regulations.</u></p> <p>4. The Audit Committee will be validly constituted with the in-person attendance representation of a majority of its members and will adopt its agreements by a majority of the present or represented attendees. In the event of a tie in votes, the vote of the Chair shall be casting. Members of the Committee may delegate their representation in one of them, but none may undertake more than one representation <u>two representations</u> in addition to their own.</p>

3.10 Amendment to article 17 of the board of directors regulations regarding the appointments and remuneration committee

This article is amended for the purposes of bringing its wording into line with article 529 quidecies of the Spanish Companies Law. First, in section 1, the composition of the

appointments and remuneration committee is modified, and must now comprise solely non-executive directors, with a minimum of two independent directors. It also includes the requirement that the chairman of the committee be elected from among the independent directors who are members of the committee and the designation of a secretary is added.

In addition, section 2 completes the powers of the appointments and remuneration committee in accordance with article 529 quidecies of the Spanish Companies Law.

Section 4 includes the obligation to meet at least four times a year. Lastly, in section 5, it broadens the capacity of representation of the members of the appointments and remuneration committee, allowing them to undertake up to two representations in addition to their own.

Consequently, sections 1, 2, 4 and 5 of article 17 are worded as follows:

Previous version	Current version
<p>Article 17. Appointments and Remuneration Committee.</p> <p>1. The Appointments and Remuneration Committee shall comprise external directors in a number to be determined by the Board of Directors, with a minimum of three members, and its composition shall give adequate representation to independent directors.</p> <p>The Chairman of the Appointments and Remuneration Committee may not be elected from among executive directors or proprietary directors.</p>	<p>Article 17. Appointments and Remuneration Committee.</p> <p>1. The Appointments and Remuneration Committee shall <u>exclusively</u> comprise non-executive directors <u>appointed by the Board of Directors</u> in a number to be determined by the Board of Directors, with a minimum of three <u>and a maximum of seven</u> members, and its composition shall give adequate representation of which at least two must be to independent directors.</p> <p>The Chairman of the Appointments and Remuneration Committee may not be elected from among executive directors or proprietary directors <u>shall be designated from among the independent directors that are members of the committee.</u></p> <p><u>The Board of Directors may designate</u></p>

<p>2. Without prejudice to other tasks assigned by the Board, the Appointments and Remuneration Committee shall have the following responsibilities:</p> <p>a) assess the skills, knowledge and experience necessary in the Board; define, as a consequence, the functions and necessary aptitudes in candidates to fill each vacancy, and to evaluate the time and dedication necessary to perform their duties well;</p> <p>b) review the Annual Corporate Governance Report prior to its approval by the Board of Directors in order to verify the category assigned to each director within the possible categories (executive, proprietary, independent and external);</p> <p>c) submit to the Board proposals for appointment of directors so that the latter may directly proceed to designate them (co-option) or adopt them in order to submit them to the Annual General Meeting;</p> <p>d) ensure that, when new vacancies are filled or new Directors</p>	<p><u>the Secretary of the Appointments and Remuneration Committee from among the committee members. In the absence of an express designation, the Secretary or the Vice-Secretary of the Board of Directors shall act as the Secretary of the Appointments and Remuneration Committee, even if such secretaries are not directors.</u></p> <p>2. Without prejudice to other tasks assigned by the <u>Law</u>, Board, the Appointments and Remuneration Committee shall have the following responsibilities:</p> <p>a) assess the skills, knowledge and experience necessary in the Board; define, as a consequence, the functions and necessary aptitudes in candidates to fill each vacancy, and to evaluate the time and dedication necessary to perform their duties well;</p> <p>b) review the Annual Corporate Governance Report prior to its approval by the Board of Directors in order to verify the category assigned to each director within the possible categories (executive, proprietary, independent and external);</p> <p>c) <u>submit</u>refer to the Board proposals for <u>re-election, severance or appointment of independent directors, and report on proposals of re-election, severance or appointment of other directors</u> so that the latter may directly proceed to designate them (co-option) or adopt them in order to submit them to the Annual General Meeting;</p> <p>d) <u>set a target for representation of</u></p>
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appointed, the selection procedures are not affected by implicit biases that may involve gender discrimination;

e) participate, in the form deemed appropriate, in the organisation of the succession of the Chairman of the Board and of the company's chief executive and, if appropriate, submit proposals to the Board so that such succession occurs in an orderly and well-planned manner;

f) inform, prior to submission to the Board, of the proposed appointment or dismissal of the Board Secretary;

g) propose the Board which members should be members of each of the Committees;

h) report on the appointment and dismissal of Executives of the highest responsibility in the company that the chief executive proposes to the Board;

i) propose to the Board of Directors the system and amount of yearly remuneration of directors and Executives as decided by the Board of Directors, and other basic conditions of their contracts, and to oversee compliance with the company's remuneration policy;

j) propose periodical revision of the remuneration programmes of Executives decided by the Board of Directors, weighing their adequacy and performance, and overseeing their compliance;

the least represented sex on the Board, draft guidelines on how to attain it and ensure that, when new vacancies are filled or new Directors appointed, the selection procedures are not affected by implicit biases that may involve gender discrimination;

e) ~~participate, in the form deemed appropriate,~~ examine and organise the succession of the Chairman of the Board and of the company's chief executive and, if appropriate, submit proposals to the Board so that such succession occurs in an orderly and well-planned manner;

f) inform, prior to submission to the Board, of the proposed appointment or dismissal of the Board Secretary;

g) propose the Board which members should be members of each of the Committees;

h) report on the appointment and dismissal of Executives of the highest responsibility in the company that the chief executive proposes to the Board;

i) propose to the Board of Directors the system and amount of yearly remuneration of directors ~~and Executives as decided by the Board of Directors,~~ and directors general or those who perform senior management duties under the direct authority of the Board, of executive committees or of chief operating officers and other basic conditions of the contracts of executive directors and their individual remuneration, and to oversee compliance with the company's remuneration policy;

j) propose periodical revision of the

<p>k) propose measures for transparency of remuneration and oversee their compliance;</p> <p>l) assess at least once a year, their performance and the quality of their work;</p> <p>m) report on the process of assessment of the Chairman of the Board and of the chief executive of the company; and</p> <p>n) others specifically envisaged in these Regulations.</p> <p>4. The Appointments and Remuneration Committee shall meet whenever the Board or its Chair should request the issuance of a report or the adoption of proposals or, whenever warranted for the successful performance of its duties. It shall meet at least once a year to prepare information on the remuneration of Directors that the Board of Directors is due to approve and include in its yearly public documentation.</p> <p>5. The Appointments and Remuneration Committee will be validly constituted with the in-person attendance representation of a majority of its members and will adopt its agreements by a majority of the present or represented attendees. In the event of a tie in votes, the vote of the Chair shall be casting. Members of the Committee</p>	<p>remuneration programmes of Executives decided by the Board of Directors, weighing their adequacy and performance, and overseeing their compliance;</p> <p>k) propose measures for transparency of remuneration and oversee their compliance;</p> <p>l) assess at least once a year, their performance and the quality of their work;</p> <p>m) report on the process of assessment of the Chairman of the Board and of the chief executive of the company;</p> <p>n) others specifically envisaged in these Regulations.</p> <p>4. The Appointments and Remuneration Committee shall meet whenever the Board or its Chair should request the issuance of a report or the adoption of proposals or, whenever warranted for the successful performance of its duties, <u>and at least four times a year</u>. It shall meet at least once a year to prepare information on the remuneration of Directors that the Board of Directors is due to approve and include in its yearly public documentation.</p> <p>5. The Appointments and Remuneration Committee will be validly constituted with the in-person attendance representation of a majority of its members and will adopt its agreements by a majority of the present or represented attendees. In the event of a tie in votes, the vote of the Chair shall be casting. Members of the Committee may delegate their</p>
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may delegate their representation in one of them, but none may undertake more than one representation in addition to their own. Any person of the Company or outside it may attend Committee meetings when asked to do so. Such attendees may will have speaking rights but not voting rights.

representation in one of them, but none may undertake more than ~~one representation~~ two representations in addition to their own. Any person of the Company or outside it may attend Committee meetings when asked to do so. Such attendees may will have speaking rights but not voting rights.

3.11 Addition of article 17 bis of the board of directors regulations regarding advisory committee on forestry and regulatory policy

A new article 17 bis has been added, with the purpose of adding regulation of the advisory committee on forestry and regulatory policy in the latest annual corporate governance report. The wording of the new article 17 bis is as follows:

Article 17 bis. Advisory Committee on Forestry and Regulatory Policy.

1. *The Advisory Committee on Forestry and Regulatory Policy shall comprise a number of directors to be determined by the Board of Directors, and up to eight members. The Chairman of the Board of Directors and the Chief Executive Office of the Company are ex-officio members of the Committee. The other members shall be elected from the Company directors, taking account of their experience and knowledge of the subject matter assigned to the Committee.*
2. *The Chairman of the Advisory Committee on Forestry and Regulatory Policy may be elected from non-ex officio members, in which case the Chairman of the Board of Directors shall substitute for the Chairman of the Commission in the event of the absence of the latter.*
3. *The Board of Directors may designate the Secretary of the Advisory Committee on Forestry and Regulatory Policy from among the committee members. In the absence of an express designation, the Secretary or the Vice-Secretary of the Board of Directors shall act as the Secretary of the Appointments and Remuneration Committee, even if such secretaries are not directors.*

The Advisory Committee on Forestry and Regulatory Policy may request that such function be performed by any executive of the Company that attends the Committee meetings.

- 4. The Advisory Committee on Forestry and Regulatory Policy shall meet as many times as deemed necessary, at the request of the Chairman of the Board of Directors or of the Chief Executive Officer of the Company and, in any event, four times a year. Any person asked to attend Committee meetings may do so. Such attendees shall have speaking but not voting rights.*
- 5. The Committee must periodically, and when deemed appropriate, report its activities to the Board of Directors.*
- 6. Without prejudice to other tasks that may be assigned to it by the Board of Directors, the Committee is competent to report, advise, collaborate and make proposals in the following matters and any others related thereto:*
 - a) the Company's actions in relation to policies and regulation and ordering in matters related directly or indirectly to the Company's activities and operations, especially with respect to forestry regulation;*
 - b) the institutional relationship with different competent authorities in the setting of policies, regulation, ordering and planning in the aforementioned matters, at a state, regional and local level; and*
 - c) the setting and development of policies, regulation, ordering and planning, at different administrative and territorial levels, with powers in the aforementioned fields, especially those aimed at fostering cooperation in the management of forest masses or cooperation or concentration of forest properties.*

3.12 Amendment to article 18 of the board of directors regulations regarding meetings of the board of directors

First, added to section 1 is the obligation for the Company board of directors to meet at least once a quarter, in accordance with article 245.3 of the Spanish Companies Law.

Second, section 2 is amended to indicate that, unless a meeting of the board of directors has been convened or called in an urgent case, the directors must have sufficient prior notice and the information necessary for deliberation and the adoption of agreements on items to be discussed, in accordance with article 529 quinquies of the Spanish Companies Law.

Consequently, sections 1 and 2 of article 18 are worded as follows:

Previous version	Current version
<p>Article 18. Meetings of the Board of Directors.</p> <p>1. The Board of Directors shall meet, at the call of the Chairman, as many times as the Chairman deems appropriate for the successful operation of the company, with a minimum of six meetings a year.</p> <p>Further, directors representing at least one third of the members of the Board of Directors may call such meeting, indicating the agenda, to be held in the municipality of the registered office if, following a request to the Chairman, the latter has failed, without a justified reason, to call such meeting within one month.</p> <p>2. Ordinary meetings shall be called by means of letter, fax, telegram or e-mail, and shall be authorised with the signature of the Chairman or that of the Secretary or Vice-Secretary, acting at the orders</p>	<p>Article 18. Meetings of the Board of Directors.</p> <p>1. The Board of Directors shall meet, at the call of the Chairman, as many times as the Chairman deems appropriate for the successful operation of the company, with a minimum of six meetings a year <u>and at least once a quarter.</u></p> <p>Further, directors representing at least one third of the members of the Board of Directors may call such meeting, indicating the agenda, to be held in the municipality of the registered office if, following a request to the Chairman, the latter has failed, without a justified reason, to call such meeting within one month.</p> <p>2. Ordinary meetings shall be called by means of letter, fax, telegram or e-mail, and shall be authorised with the signature of the Chairman or that of the Secretary or Vice-Secretary, acting at the orders of</p>

<p><i>of the Chairman. The call shall be issued with minimum notice of two days.</i></p> <p><i>The call shall include the agenda of the meeting and relevant information that is duly summarised and prepared.</i></p>	<p><i>the Chairman. The call shall be issued with minimum notice of two days.</i></p> <p><u><i>Unless a meeting board of directors has been convened or called in an urgent case, the directors must have sufficient prior notice and the information necessary for deliberation and the adoption of agreements on items to be discussed. The call shall include the agenda of the meeting and relevant information that is duly summarised and prepared.</i></u></p>
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3.13 Amendment to article 19 of the board of directors regulations regarding procedures for meetings

Section 1 of this article is amended to establish that a non-executive director may only delegate representation to another non-executive director, accordance with article 529 quater of the Spanish Companies Law.

Consequently, section 1 of article 19 is worded as follows:

Previous version	Current version
<p>Article 19. Procedure for meetings.</p> <p><i>1. The Board meeting shall be validly constituted when a majority of its members, either personally or represented, are in attendance. If the number of Directors is odd, sufficient quorum exists if half plus one of the Directors are in attendance.</i></p> <p><i>Directors shall make every effort to attend meetings of the Board and, when they are unable to do so personally, they shall endeavour to confer representation to another member of the Board in the same group. Representation shall be conferred with the relevant</i></p>	<p>Article 19. Procedure for meetings.</p> <p><i>1. The Board meeting shall be validly constituted when a majority of its members, either personally or represented, are in attendance. If the number of Directors is odd, sufficient quorum exists if half plus one of the Directors are in attendance.</i></p> <p><i>Directors shall make every effort to attend meetings of the Board and, when they are unable to do so personally, they shall endeavour to confer representation to another member of the Board in the same group. <u>A non-executive director may confer representation only to another non-executive director.</u></i></p>

<i>instructions with respect to the specific items to be discussed in the Board meeting.</i>	<i>Representation shall be conferred with the relevant instructions with respect to the specific items to be discussed in the Board meeting.</i>
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3.14 Amendment to article 19 of the board of directors regulations regarding evaluation of the board of directors and of board committees

Section 1 of this article adds the obligation of the Company board of directors to propose an action plan to correct any deficiencies detected in the evaluation of the board of directors and of board committees and the inclusion of the evaluation result in the minutes of the board meeting, in accordance with article 529 nonies of the Spanish Companies Law.

Consequently, section 1 of article 19 bis is worded as follows:

Previous version	Current version
<p>Article 19 bis. Evaluation of the Board of Directors and of Board Committees</p> <p>1. The full Board of Directors shall evaluate, at least once a year, its functioning and the quality and efficiency of its work, and the functioning of its Committees on the basis of the reports referred to the Board.</p>	<p>Article 19 bis. Evaluation of the Board of Directors and of Board Committees</p> <p>1. The full Board of Directors shall evaluate, at least once a year, its functioning and the quality and efficiency of its work, and the functioning of its Committees on the basis of the reports referred to the Board <u>and propose, as the case may be, an action plan to correct any deficiencies detected.</u></p> <p><u>The result of the evaluation will be recorded in the board meeting or will be attached to such minutes as an annex.</u></p>

3.15 Amendment to article 20 of the board of directors regulations regarding the appointment of directors

Article 20 is amended for the purposes of bringing its wording into line with article 529 decies of the Spanish Companies Law. Namely: (i) section 1 is amended to specify in what

cases and in what form directors are designated by the Company board of directors (i.e. for a vacancy by co-option); (ii) section 2 is amended to indicate that a proposal for appointment of directors is the responsibility of the appointments and remuneration committee; (iii) a new section 3 is added to establish that the proposal must be accompanied by an explanatory report from the board that assesses the competence, experience and merits of the candidate; and (iv) a new section 4 is added to establish that a proposed appointment of a non-independent director must also be further to a report from the appointments and remuneration committee.

Consequently, article 20 is worded as follows:

Previous version	Current version
<p>Article 20. Appointment of Directors.</p> <p>1. Directors shall be designated by the Annual General Meeting or by the Board of Directors in conformity with the provisions of the Spanish Companies Law.</p> <p>2. Proposed appointments of directors submitted by the Board of Directors to the consideration of the Annual General Meeting and appointment decisions taken by such body by virtue of the co-option powers conferred upon it by law, must be further to a proposal by the Appointments and Remuneration Committee.</p> <p>If the Board declines the recommendations of the Appointments and Remuneration Committee, it must set forth the reasons for its action and record its reasons in meeting minutes.</p>	<p>Article 20. Appointment of Directors.</p> <p>1. Directors shall be designated by the Annual General Meeting or <u>in the event of an anticipated vacancy,</u> by the Board of Directors <u>by co-option,</u> in conformity with the provisions of the Spanish Companies Law.</p> <p>2. A proposed appointment of directors <u>is the responsibility of the Appointments and Remuneration Committee for independent directors, and of the Board of Directors in all other cases.</u> submitted by the Board of Directors to the consideration of the Annual General Meeting and appointment decisions taken by such body by virtue of the co-option powers conferred upon it by law, must be further to a proposal by the Appointments and Remuneration Committee.</p> <p>3. <u>The proposal must be accompanied by an explanatory report from the Board assessing the</u></p>

	<p><u>competence, experience and merits of the proposed candidate, which shall be attached to the minutes of the Annual General Meeting or of a Board meeting.</u></p> <p><u>4. The proposed appointment of any non-independent director must also be further to a report from the Appointments and Remuneration Committee.</u></p> <p>5. If the Board declines the recommendations of the Appointments and Remuneration Committee, it must set forth the reasons for its action and record its reasons in meeting minutes.</p>
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3.16 Amendment to article 21 of the board of directors regulations regarding the appointment of external directors

Section 2 of this article is amended to include a reference to "other situations of incompatibility envisaged in the Spanish Companies Law" in accordance with article 529 duodecies of the Spanish Companies Law. Further, the board of directors is here replaced by the appointments and remuneration committee for a proposal and designation of independent directors, in accordance with article 529 decies of the Spanish Companies Law.

Consequently, section 2 of article 21 is worded as follows:

Previous version	Current version
<p>Article 21. Appointment of External Directors.</p> <p>2. The Board of Directors may not propose or designate, to fill a post of independent director, persons whose situation or present or past relations with the company may undermine their independence, for which the Board shall take account of the advice of the</p>	<p>Article 21. Appointment of External Directors.</p> <p>2. The Board of Directors<u>Without prejudice to the other situations of incompatibility envisaged in the Spanish Companies Law, the Appointments and Remuneration Committee</u> may not propose or designate, to fill a post of independent director, persons whose situation or</p>

<p><i>Appointments and Remuneration Committee.</i></p>	<p><i>present or past relations with the company may undermine their independence, for which the Board shall take account of the advice of the Appointments and Remuneration Committee.</i></p>
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3.17 Amendment to article 22 of the board of directors regulations regarding the re-election of directors

In order to lend greater consistency between the Board regulations and the Company bylaws, article 22 refers the proposal of re-election to article 20 of the Company bylaws.

Consequently, article 22 is worded as follows:

Previous version	Current version
<p>Article 22. Re-election of Directors. <i>Proposals for re-election of directors the Board of Directors should submit to the Annual General Meeting must be subject to a formal process of elaboration that shall necessarily include a report issued by the Appointments and Remuneration Committee evaluating the quality of the work and the dedication to the post of the candidates proposed during the preceding term.</i></p>	<p>Article 22. Re-election of Directors. <i>Proposals for re-election of directors the Board of Directors should submit to the Annual General Meeting must be subject to a formal process of elaboration that shall necessarily include a report issued by the Appointments and Remuneration Committee evaluating the quality of the work and the dedication to the post of the candidates proposed during the preceding term. <u>shall conform to the provisions for appointment laid down in article 20 of the Bylaws.</u></i></p>

3.18 Amendment to article 23 of the board of directors regulations regarding directors' term

First, the possibility is added to section 1 of this article for re-election of directors one or more times for terms of the same maximum duration, in accordance with article 529 undecies of the Spanish Companies Law. Section 2 of this article is amended to include co-

option in the event of a vacancy following the call to the Annual General Meeting, re-election of directors in accordance with article 529 decies of the Spanish Companies Law.

Consequently, article 23 is worded as follows:

Previous version	Current version
<p>Article 23. Term.</p> <p>1. Directors shall occupy their posts during the term envisaged in the Bylaws and may be re-elected.</p> <p>2. Directors appointed by co-option shall occupy their posts until the date of the following Annual General Meeting.</p> <p>3. When, further to a report from the Appointments and Remuneration Committee, the Board of Directors considers that the interests of the company could be in jeopardy, the Director reaching the end of his/her mandate or leaving office for any other reason shall not provide his/her services in any other company that is a competitor of the Company for the period established, which shall not exceed two years. In such cases, the Director affected shall be entitled to reasonable compensation for any damages that these measures could cause to the same. Such compensation shall be calculated within the limits established in article 42.1 of the By-Laws</p>	<p>Article 23. Term.</p> <p>1. Directors shall occupy their posts during the term envisaged in the Bylaws and may be re-elected <u>one or more times for periods of the same maximum duration.</u></p> <p>2. Directors appointed by co-option shall occupy their posts until the date of the following Annual General Meeting.</p> <p><u>In the event of a vacancy between the Annual General Meeting call and the meeting, the Board of Directors may designate a director until the holding of the following Annual General Meeting.</u></p> <p>3. When, further to a report from the Appointments and Remuneration Committee, the Board of Directors considers that the interests of the company could be in jeopardy, the Director reaching the end of his/her mandate or leaving office for any other reason shall not provide his/her services in any other company that is a competitor of the Company for the period established, which shall not exceed two years. In such cases, the Director affected shall be entitled to reasonable compensation for any damages that these measures could cause to the same Such compensation shall be calculated within the limits established in</p>

	article 42.1 of the By-Laws. <u>Such compensation shall be calculated within the limits established in article 42.1 of the By-Laws.</u>
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3.19 Removal of article 25, section 1 of the board of directors regulations relating to the objectivity and secrecy of voting

Section 1 of this article is removed because the conditions under which a director must abstain from taking part in deliberations and voting are already laid down in article 33 of the regulations.

3.20 Amendment to article 28 of the board of directors regulations regarding directors' remuneration

Article 28 is amended for the purposes of bringing its wording into line with articles 217 529 septdecies of the Spanish Companies Law. Specifically, section 1 indicates that the remuneration policy of directors must be approved by the general shareholders meeting, and the requirements are laid down. It also requires that each director's remuneration be set by the Company's board of directors, further to a report of the appointments and remuneration committee. Lastly, it includes the principle of remuneration proportionality of directors as set out in article 217 of the Spanish Companies Law.

Consequently, article 28 is worded as follows:

Previous version	Current version
<p>Article 28. Director Remuneration.</p> <p>1. <i>The director shall be entitled to receive the remuneration set by the Board of Directors in accordance with the provisions of the bylaws and these Regulations, and further to a report from the Appointments and Remuneration Committee.</i></p>	<p>Article 28. Director Remuneration.</p> <p>1. <u>The remuneration policy of directors, as approved by the Annual General Meeting pursuant to the Spanish Companies Law, will determine the remuneration of directors in their state as such, within the remuneration system envisaged in the bylaws, and it must include the maximum amount of yearly remuneration to be paid to all</u></p>

<p>2. The Board shall endeavour to ensure that the director's remuneration is moderate in view of market circumstances and that it is in line with such circumstances. Where the Board of Directors understands in any given year that strict application of the statutory rules would result in remuneration that might not be in line with moderate criteria, it shall resolve to waive the payment of the amount considered excessive. Such waiver shall be submitted to the Annual General Meeting responsible for deciding on remuneration.</p>	<p>directors as such. The director shall be entitled to receive the remuneration set by the Board of Directors in accordance with the provisions of the bylaws and these Regulations, and further to a report from the Appointments and Remuneration Committee.</p> <p>2. <u>The determination of the remuneration of each director as such shall be the responsibility of the Board of Directors, further to a report from the Appointments and Remuneration Committee, which will take account of the duties and responsibilities assigned to each director, membership in Board Committees and other objective circumstances deemed relevant.</u></p> <p>3. The Board shall endeavour to ensure that the director's remuneration is moderate in view of market circumstances and that it is in line with such circumstances <u>is reasonably proportional to the importance of the Company, its economic situation and the market standards of comparable companies. The remuneration system must be orientated towards fostering the Company's long-term profitability and sustainability and include the necessary precautions necessary to avoid excessive risk taking and rewarding of adverse results.</u> Where the Board of Directors understands in any given year that strict application of the statutory rules would result in remuneration that might not be in line with moderate criteria, it shall resolve to waive the payment of the amount considered excessive. Such waiver</p>
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<p>3. The remuneration of each director shall be transparent. For this purpose, the Board of Directors shall prepare an annual report on the remuneration of directors in addition to the Annual Corporate Governance Report, the contents and structure of which shall be as established by law. This report shall be made available to shareholders for the Annual General Meeting and it shall be subjected to a vote at the same on a consultative basis as a separate item on the agenda.</p>	<p>shall be submitted to the Annual General Meeting responsible for deciding on remuneration.</p> <p>4. The remuneration of each director shall be transparent. For this purpose, the Board of Directors shall prepare an annual report on the remuneration of directors in addition to the Annual Corporate Governance Report, the contents and structure of which shall be as established by law. This report shall be made available to shareholders for the Annual General Meeting and it shall be subjected to a vote at the same on a consultative basis as a separate item on the agenda.</p>
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3.21 Amendment to article 29 of the board of directors regulations regarding the executive director remuneration

A new section is added, stipulating that the Company board of directors will set the remuneration and terms of the contracts of executive directors, in accordance with article 529 octodecies of the Spanish Companies Law.

Consequently, article 29 bis is worded as follows:

Previous version	Current version
<p>Article 29 bis Executive Director Remuneration.</p> <p>1. In particular, executive</p>	<p>Article 29 bis Executive Director Remuneration.</p> <p><u>1. The Board of Directors shall set the remuneration of directors for the performance of executive duties, and the terms and conditions of their contracts with the company, in conformity with the law, the Bylaws and the remuneration policy approved by the Annual General Meeting.</u></p> <p>2. In particular, executive</p>

Directors may be beneficiaries of remuneration systems consisting of the delivery of shares or share options, or of any other remuneration system that is linked to the value of the shares of the company itself or of companies in its group. Application of such remuneration systems must be approved by the Annual General Meeting, pursuant to the provisions of the Spanish Companies Law.

Except as envisaged above, delivery of shares of the company or of companies in its group may be used as a form of remuneration of non-executive directors, provided it is subject to the condition that the recipients retain the shares until the end of their service as director.

2. Executive directors may also be beneficiaries of variable remuneration linked to company performance or of welfare schemes envisaged in the company Bylaws.

Directors may be beneficiaries of remuneration systems consisting of the delivery of shares or share options, or of any other remuneration system that is linked to the value of the shares of the company itself or of companies in its group. Application of such remuneration systems must be approved by the Annual General Meeting, pursuant to the provisions of the Spanish Companies Law.

Except as envisaged above, delivery of shares of the company or of companies in its group may be used as a form of remuneration of non-executive directors, provided it is subject to the condition that the recipients retain the shares until the end of their service as director.

3. Executive directors may also be beneficiaries of variable remuneration linked to company performance or of welfare schemes envisaged in the company Bylaws.

3.22 Amendment to article 30 of the board of directors regulations regarding the general obligations of directors

Section 3(a) of the article now includes the director's obligation to demand from the Company adequate and necessary information for the fulfilment of his obligations, in accordance with article 228 (b) of the Spanish Companies Law.

Consequently, section 3(a) of article 30 is worded as follows:

Previous version	Current version
Article 30. General Obligations of Directors.	Article 30. General Obligations of Directors.
3.	3.

<p>a) Diligently stay informed of the business of the Company and adequately prepare meetings of the Board and of the delegated bodies of which he is a member.</p>	<p>a) Diligently stay informed of the business of the Company, <u>demanding from it adequate and necessary information for the fulfilment of his obligations</u>, and adequately prepare meetings of the Board and of the delegated bodies of which he is a member.</p>
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3.23 Amendment to article 31 of the board of directors regulations regarding directors' duty of confidentiality

Section 1 of this article specifies that the duty of confidentiality applies not only to information, but also to data, reports and antecedents, in accordance with article 228 (b) of the Spanish Companies Law.

Consequently, section 1 of article 31 is worded as follows:

Previous version	Current version
<p>Article 31. Directors' duty of confidentiality.</p> <p>1. Directors shall maintain secrecy with respect to the deliberations of the Board of Directors and the of the delegated bodies of which they are a member and, generally, shall abstain from disclosing information to which they have gained access in the discharge of their office.</p>	<p>Article 31. Directors' duty of confidentiality.</p> <p>1. Directors shall maintain secrecy with respect to the deliberations of the Board of Directors and the of the delegated bodies of which they are a member and, generally, shall abstain from disclosing information, <u>data, reports or antecedents</u> to which they have gained access in the discharge of their office.</p>

3.24 Amendment to article 32 of the board of directors regulations regarding the non-competent obligation

Article 32 is amended for the purposes of bringing its wording into line with articles 228, 229 and 230 of the Spanish Companies Law.

First, section 1 is amended to include obligations related to the duty to avoid conflicts of interest, in accordance with article 229 of the Spanish Companies Law.

Second, it includes regulation of the exemption from obligations related to the duty to avoid conflicts of interest, in accordance with article 229 of the Spanish Companies Law.

Third, section 2 is amended for the purposes of bringing its wording into line with article 228 of the Spanish Companies Law, and a reference to this article is added.

Lastly, section 3 is adapted to adjust the duty of disclosure to article 229.3 of the Spanish Companies Law.

Consequently, article 32 is worded as follows:

Previous version	Current version
<p>Article 32. Non-compete obligation.</p> <p>1. A director may not engage, on his own behalf or on behalf of third parties, in activities that constitute effective competition with the company or its group, without the express authorisation of the company in the form of a resolution of the Annual General Meeting at the proposal of the Board of Directors further to a favourable report from the Audit Committee. To this end, the director must provide the notice envisaged in section 3 below. For legal person directors, this obligation applies to the natural person representative of the director.</p> <p>The above prohibition shall not apply if the director holds any office or duties in other group companies.</p>	<p>Article 32. Non-compete obligation.</p> <p>1. A director <u>must abstain from the following: a) entering into transactions with the Company, except for ordinary transactions carried out under standard conditions for clients and of minor significance; b) using the name of the Company or invoking his state of director in order to exert undue influence in the pursuit of private transactions; c) making use of company assets, including confidential information of the Company, for private ends; d) exploit business opportunities of the Company; e) obtain advantages or remunerations from third parties other than the Company and its group related to the performance of his office, except for mere courtesy benefits; and f) undertake activities on his own behalf or on behalf of third parties that constitute actual or potential effective competition with the Company or that, in any other</u></p>

<p>2. A director who has been</p>	<p>way, place him in a permanent conflict with the interests of the Company. , on his own behalf or on behalf of third parties, in activities that constitute effective competition with the company or its group, without the express authorisation of the company in the form of a resolution of the Annual General Meeting at the proposal of the Board of Directors further to a favourable report from the Audit Committee. To this end, the director must provide the notice envisaged in section 3 below.</p> <p>For legal person directors, this obligation applies to the natural person representative of the director.</p> <p>The above prohibition shall not apply if the director holds any office or duties in other group companies.</p> <p><u>Without prejudice to the regime of mandates and exemptions applicable to other cases of conflicts of interest, the obligation to not compete with the Company may only be subject to an exemption if no damage to the Company is possible or if the Company would expect to be rewarded by the benefits expected from such exemption. The exemption will be granted by an express and separate resolution of the Annual General Meeting.</u></p> <p><u>At the request of any shareholder, the Annual General Meeting will decide whether to dismiss a director that engages in competitive activities when the risk of adverse effects on the Company has become significant.</u></p> <p>2. A director who has been</p>
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authorised by the Annual General Meeting is obligated to fulfil certain conditions and guarantees envisaged in the resolution of the Annual General Meeting and, at least, the obligation to abstain from (i) accessing information and (ii) taking part in the deliberations and votes relating to items in which a situation of conflict of interest arises, all in conformity with the following article and with article 229 of the Spanish Companies Law.

3. The director must notify the company of any direct or indirect shareholding that, either he or his related persons, should hold in the capital of any company with the same, similar or complementary activity as the corporate purpose of the company and that is in a state of effective competition with the same, and any offices or duties he should have in the same.

authorised by the Annual General Meeting is obligated to fulfil certain conditions and guarantees envisaged in the resolution of the Annual General Meeting and, at least, the obligation to abstain from (i) accessing information and (ii) taking part in the deliberations and votes ~~relating to items in which a situation of conflict of interest arises,~~ relating to resolutions or decisions in which he or a related person has a direct or indirect conflict of interest, where such abstention shall not include resolutions or decisions affecting his office as director, all in conformity with the following article and with article 229 and 228 of the Spanish Companies Law.

3. Directors must report to the Board of Directors any situation of direct or indirect conflict that they or persons related to them may have with the interest of the Company.

Situations of conflicts of interest of directors shall be reported in the notes to the financial statements. The director must notify the company of any direct or indirect shareholding that, either he or his related persons, should hold in the capital of any company with the same, similar or complementary activity as the corporate purpose of the company and that is in a state of effective competition with the same, and any offices or duties he should have in the same.

3.25 Amendment to article 33 of the board of directors regulations regarding conflicts of interest

Article 33 is amended for the purposes of bringing its wording into line with articles 228, 229 and 230 of the Spanish Companies Law. Specifically, in section 1, an adaptation is made of the director's obligation to abstain from taking part in deliberations on matters that involve a conflict of interest. Second, it assigns the power to the director to enter into transactions with the Company with respect to ordinary transactions executed in standard conditions, and of minor importance.

Consequently, article 33 is worded as follows:

Previous version	Current version
<p>Article 33. Conflicts of interest.</p> <p>1. A director must abstain from attending and taking part in deliberations in relation to matters in which he has a personal interest, whether direct or indirect, and report the existence of such conflict to the Board of Directors. A director has a personal interest when the matter affects a person related to the director, which is defined as set out in article 231 of the Spanish Companies Law.</p> <p>Situations of conflicts of interest affecting company directors shall be disclosed in the notes to the financial statements and in the annual corporate governance report.</p>	<p>Article 33. Conflicts of interest.</p> <p>1. A director must abstain from attending and taking part in deliberations in relation to matters in which he has a personal interest, whether direct or indirect, and report the existence of such conflict to the Board of Directors. A director has a personal interest when the matter affects a person related to the director, which is defined as set out in article 231 of the Spanish Companies Law <u>taking part in the deliberation and vote of resolutions or decisions in which he or a related person has a direct or indirect conflict of interest.</u> <u>The above obligation shall not include abstention from resolutions or decisions that affect him in his office a director, such as his designation or revocation for offices in the governing body or others of a similar type.</u></p> <p>Situations of conflicts of interest affecting company directors shall be disclosed in the notes to the financial</p>

<p>2. A director may not directly or indirectly enter into professional or business transactions with the company unless he reports the situation of conflict of interest in advance and the Board approves the transaction further to a report of the Audit Committee.</p>	<p>statements and in the annual corporate governance report.</p> <p>2. A director may not directly or indirectly enter into professional or business transactions with the company unless <u>these are ordinary transactions carried out in standard conditions for clients and of minor importance, or unless the company authorises it. Such authorisation must be granted by the Annual General Meeting when it affects a transaction whose value is greater than ten per cent of the Company's assets</u> he reports the situation of conflict of interest in advance and the Board, further to a report from the Audit Committee, approves the transaction.</p>
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3.26 Amendment to article 35 of the board of directors regulations regarding non-public information

Article 35 is amended to the effects of specifying that Board authorisation for the use of the Company's non-public information is subject to the provisions of the Spanish Companies Law, which includes certain requirements relating to such authorisation, and the reference to article 114.3 of the rescinded Spanish Securities Market Law is eliminated.

Consequently, article 35 is worded as follows:

Previous version	Current version
<p>Article 35. Non-public information.</p> <p>1. A director may not use the non-public information of the company or of companies in its group for private ends without the prior authorisation of the Board of Directors, which shall request a report from the Audit Committee.</p> <p>2. The foregoing shall be</p>	<p>Article 35. Non-public information.</p> <p>1. A director may not use the non-public information of the company or of companies in its group for private ends without the prior authorisation of the Board of Directors, <u>in conformity with the provisions of the Spanish Companies Law</u>, which shall request a report from</p>

<p><i>without prejudice to rules and regulations in force in the Internal Code of Conduct in the Securities Markets and subject to Title VII and article 114.3 of the Spanish Securities Market Law.</i></p>	<p><i>the Audit Committee.</i></p> <p>2. <i>The foregoing shall be without prejudice to rules and regulations in force in the Internal Code of Conduct in the Securities Markets and subject to Title VII and article 114.3 of the Spanish Securities Market Law.</i></p>
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3.27 Amendment to article 36 of the board of directors regulations regarding business opportunities

Section 1 of this article is amended to reflect the current regulation on business opportunities set out in article 230.2 of the Spanish Companies Law. Specifically, an amendment is made to the case in which a director may avail himself of a business opportunity of the Company and it specifies that authorisation to do so is subject to the provisions of the Spanish Companies law, which includes certain prior requirements for such authorisation.

Consequently, section 1 of article 36 is worded as follows:

Previous version	Current version
<p>Article 36. Business opportunities.</p> <p>1. <i>A director may not directly or indirectly avail himself of a Company business opportunity to his own benefit or to the benefit of a related person, unless the opportunity has previously been offered to the company (without the mediation of the director) and the company declines to exploit it, and such exploitation is authorised by the Board, further to a report by the Audit Committee.</i></p>	<p>Article 36. Business opportunities.</p> <p>1. <i>A director may not directly or indirectly avail himself of a Company business opportunity to his own benefit or to the benefit of a related person, unless the opportunity has previously been offered to the company (without the mediation of the director) and the company declines to exploit it, and such exploitation is authorised by the <u>Board is authorised by the Annual General Meeting, or by the Board, pursuant to the provisions of the Spanish Companies Law,, further to a report by the Audit Committee.</u></i></p>

3.28 Amendment to article 37 of the board of directors regulations regarding directors' reporting duties

Section 2 of this article is amended in order to clarify its wording and, in particular, to lay down that directors must report on any professional obligations that may interfere in the discharge of their duties and, at least, any other boards of directors of which they are members.

Consequently, section 2 of article 37 is worded as follows:

Previous version	Current version
<p>Article 37. Directors' reporting duties.</p> <p>2. A director must report to the Appointments and Remuneration Committee on any other professional obligations and, in particular, on other boards of directors of listed companies of he is a member, that might interfere in the dedication required from Directors for the effective discharge of their duties.</p>	<p>Article 37. Directors' reporting duties.</p> <p>2. A director must report to the Appointments and Remuneration Committee <u>on any other professional obligations that might interfere with the dedication required of Directors for the effective discharge of their duties and, in particular,</u> on other boards of directors of listed companies of he is a member, that might interfere in the dedication required from Directors for the effective discharge of their duties.</p>

3.29 Amendment to article 38 of the board of directors regulations regarding the principle of transparency

In section 1 of this article, details are removed relating to the content required in the annual corporate governance report, and a general reference is made to the Law and regulations, in order to keep a variation of the legal content of the annual corporate governance report from requiring future changes in the wording of the regulations of the board of directors.

Consequently, section 1 of article 38 is worded as follows:

Previous version	Current version
<p>Article 38. Principle of transparency.</p> <p>1. The Board of Directors shall</p>	<p>Article 38. Principle of transparency.</p> <p>1. The Board of Directors shall</p>

<p><i>prepare an annual corporate governance report that will disclose, in the terms set out in applicable regulations, (i) the ownership structure of the company, (ii) the governance structure of the company, (iii) related-party and intra-group transactions, (iv) risk control systems in place, (v) the functioning of the Annual General Meeting, (vi) the degree of compliance of recommendations in corporate governance and (vii) any other matters required under applicable regulations.</i></p>	<p><i>prepare an annual corporate governance report that will disclose, the terms <u>set out in applicable regulations and laws</u> (i) the ownership structure of the company, (ii) the governance structure of the company, (iii) related-party and intra-group transactions, (iv) risk control systems in place, (v) the functioning of the Annual General Meeting, (vi) the degree of compliance of recommendations in corporate governance and (vii) any other matters required under applicable regulations.</i></p>
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3.30 Amendment to article 39 of the board of directors regulations regarding relations with shareholders

The amendment to sections 2, 4 and 5 of this article aim to bring their wording into line with articles 160 (f), 186, 197 bis and 511 bis of the Spanish Companies Law. Namely: (i) In section 2, the content is supplemented of the public requests for vote delegations made by the Company board of directors; (ii) in section 4, the wording of resolutions to be submitted to the Company's general shareholders' meeting, in accordance with article 529 ter of the Spanish Companies Law; and (iii) it now includes ratification, re-election and severance of each director as matters that must be voted separately.

Consequently, sections 2, 4 and 5 of article 39 are worded as follows:

Previous version	Current version
<p>Article 39. Relations with shareholders</p> <p>2. Public requests of vote delegations made by the Board of Directors or by any of its members must explain in detail the content of the vote of the representative should</p>	<p>Article 39. Relations with shareholders</p> <p>2. Public requests of vote delegations made by the Board of Directors or by any of its members must <u>contain or carry the agenda attached thereto, and the request for</u></p>

<p>the shareholder not issue instructions and, if appropriate, disclose conflicts of interest, in which case such requests shall be governed by applicable law.</p> <p>4. The Board of Directors shall submit to the approval of the General Shareholders Meeting the following transactions that involve a structural change in the company:</p> <p>a) the subsidiarisation or contribution to subsidiaries of operating assets of the company, and converting the latter into a pure holding company;</p> <p>b) the acquisition or disposal of assets when their quality or volume imply an effective amendment of the corporate purpose, and</p> <p>c) any transactions whose effect is equivalent to the liquidation of the company.</p> <p>5. In order for shareholders to precisely exercise their voting preferences, the Board of Directors shall ensure that the Annual General Meeting votes separately on the appointment of each director and, with respect to amendments to the Bylaws or to these Regulations, each article or group of articles that are</p>	<p><u>instructions for exercise of voting rights</u> and explain in detail the content of the vote of the representative should the shareholder not issue instructions and, if appropriate, disclose conflicts of interest, in which case such requests shall be governed by applicable law.</p> <p>4. The Board of Directors shall submit to the approval of the General Shareholders Meeting the following transactions that involve a structural change in the company:</p> <p>a) <u>transfer to subsidiaries of essential activities performed hitherto by the Company, although the Company retains full ownership of the same</u> the subsidiarisation or contribution to subsidiaries of operating assets of the company, and converting the latter into a pure holding company;</p> <p>b) the acquisition, disposal or <u>contribution to another company of essential assets or of assets that</u>, due to their quality or volume, imply an effective amendment of the corporate purpose, and</p> <p>c) any transactions whose effect is equivalent to the liquidation of the company.</p> <p>5. In order for shareholders to precisely exercise their voting preferences, the Board of Directors shall ensure that the Annual General Meeting votes separately on the appointment, <u>ratification, re-election or severance</u> of each director and, with respect to amendments to the Bylaws or to these Regulations, each</p>
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<i>substantially independent. As an exception, the Board of Directors shall endeavour to ensure that the Annual general Meeting votes on all proposals that are designed as unitary and indivisible, such as those relating to the approval of a complete text of the Bylaws or Board Regulations.</i>	<i>article or group of articles that are substantially independent. As an exception, the Board of Directors shall endeavour to ensure that the Annual general Meeting votes on all proposals that are designed as unitary and indivisible, such as those relating to the approval of a complete text of the Bylaws or Board Regulations.</i>
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3.31 Amendment to article 40 of the board of directors regulations regarding transactions with significant shareholders

This article is amended for the purposes of bringing its wording into line with article 529 ter of the Spanish Companies Law. Specifically, section 1 now includes a specific regulation on approval by the board of directors of transactions by the Company with shareholders with a significant stake. Section 2 now includes the requirement that approval by the board of directors of transactions by the Company with shareholders with a significant stake must be further to a report from the audit committee. Lastly, section 3 includes the section that was contained in article 5, with certain minor adjustments in wording.

Consequently, article 40 is worded as follows:

Previous version	Current version
<p>Article 40. Transactions with significant shareholders.</p> <p>1. The Board of Directors formally reserves to itself the handling of any company transaction with a significant shareholder.</p>	<p>Article 40. Transactions with significant shareholders.</p> <p>1. The Board of Directors formally reserves to itself the handling of any company transaction with a significant shareholder. <u>must directly approve transactions by the Company or companies in its group with directors, shareholders that individually or in concert with others, own a significant stake, including shareholders represented in the Board of Directors of the Company or of other companies that are in the same</u></p>

<p>2. In no case shall a transaction be authorised with the prior submission of a report by the Audit Committee evaluating the transaction from the point of view of equal treatment of shareholders and arm's length conditions.</p> <p>3. If the transactions are ordinary and habitual, the generic authorisation of the transactions and their conditions shall suffice, with a subsequent report to the Board.</p>	<p><u>group or persons related thereto. Affected directors that represent or are related to the affected shareholders must abstain from taking part in the deliberation and vote on the pertinent resolution. The foregoing shall be notwithstanding the powers of the bodies or delegated persons to approve the aforementioned transactions on an exceptional basis in cases of duly justified urgency, under the terms and conditions set out in article 5.5 in these Regulations.</u></p> <p>2. In no case shall a transaction be authorised with the prior submission of a report by the Audit Committee evaluating the transaction<u>Approval by the Board of Directors of such transactions shall require a prior report from the Audit committee evaluating the transaction from the point of view of equal treatment of shareholders and arm's length conditions.</u></p> <p>3. If the transactions are ordinary and habitual, the generic authorisation of the transactions and their conditions shall suffice, with a subsequent report to the Board<u>The only exception to the approval under section 1 above shall be transactions that simultaneously exhibit the following three characteristics: (a) they are carried out by virtue of contracts whose conditions are standardised and are applied en bloc to a large number of clients; (b) they are carried out at prices or rates generally applicable by the supplier of the good or service; and (c) their amount does not exceed one per cent</u></p>
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of the Company's annual revenue.

Madrid, 25 March 2015