

Composition and functions of the Audit and Regulatory Compliance Committee

Members and type of directorship

Mr. Manuel Conthe Gutiérrez	Chairman (independent)
Mrs. Petra Mateos-Aparicio Morales	Secretary (proprietary)
Mrs. Isabel Martín Castellá	Member (independent)
Mr. Manuel Muela Martín-Buitrago	Member (proprietary)
Mr. Victorio Valle Sánchez	Member (independent)

Functions

(a) With regard to information and internal control systems:

- i. To continuously oversee the preparation and presentation process and the integrity of the financial information related to the Institution and its Group. This oversight function may be carried out occasionally upon demand by the Board.
- ii. To oversee the compliance with the regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria, submitting, if any, recommendations or proposals to the Board, aimed at safeguarding the integrity of the financial information
- iii. To oversee, analyse and comment with the Senior Management, with the internal auditor or with the statutory auditor, the financial information that the Institution must disclose periodically or must submit to the supervisory or regulatory bodies, in order to confirm that the said information is reliable, easy to understand, relevant and that the accounting criteria of the annual accounts have been followed, and for that purpose, to assess the convenience of a limited review of the statutory auditors, to inform later the Board of Directors prior to the preparation or approval of the said information.
- iv. To oversee the effectiveness of the internal system for the control of financial information (*Sistema de Control Interno de la Información Financiera –SCIF-*). This includes the reception of reports prepared by the heads of internal control and internal audit, and to reach conclusions on the level of confidence and reliability of the system, with proposals on improvement actions.
- v. To oversee the operation of the mechanism (*Canal de Cumplimiento*) allowing the employees to report confidentially, among others, the irregularities of potential transcendence –especially related to rules of conduct, financial and accounting- that they notice within the Institution, and to propose the appropriate actions to improve its operation and to reduce the risk of eventual irregularities in the future.
- vi. To oversee that the financial information published on the corporate’s website is permanently updated and matches that prepared by the Institution’s Board of Directors and published, when so required, on the website of the Comisión Nacional del Mercado de Valores (CNMV).
- vii. To inform the Board of Directors beforehand on all those topics set in the Law, the Bylaws, the Board Regulations or in the Committee Regulations, and, especially, on

This English version is a translation of the original in Spanish for information purposes only. In the event of discrepancy, the Spanish original will prevail.

the financial information that the Institution must disclose regularly, on the creation or acquisition of stakes in special purpose institutions or institutions registered in countries or territories considered as tax havens.

viii. To maintain, through its Chair, an ongoing dialogue with the head of the financial information function.

(b) With regard to the internal auditor:

- i. To arrange for the independence of the unit assuming the internal audit function; to propose the selection, appointment, re-election and cessation of the head of the internal audit service; to ensure that the profiles of the internal audit staff are suitable and they are able to carry out their job with objectivity and independence.
- ii. To assess and approve annually the action plan of the internal audit function which identifies the audit objectives and the works to carry out, verifying that the mentioned plan covers the main risk areas of the business, both financial and non-financial, delimiting and identifying the responsibilities, functions and resources, so as to ensure that they are adequate to the real needs of the Institution and to the risks that it has to face; to receive regular information on the activities of the function.
- iii. To verify that the Senior Management takes into account the conclusions and recommendations of its reports.

(c) With regard to the statutory auditor:

- i. To submit to the Board, for submission to the General Meeting of Shareholders, the proposals for the selection, appointment, re-election and replacement of the statutory auditor, being responsible for the selection process, as well as for the hiring conditions, and to get regularly from the statutory auditor information on the audit plan and its execution, as well as to preserve its independence in the exercise of its functions.
- ii. To define a procedure for the selection of the statutory auditor, specifying the criteria or parameters to assess.
- iii. To build the appropriate relationships with the statutory auditor to receive information on those topics which may threaten its independence, for them to be analysed by the Committee, and on any other topics related to the development of the accounts audit process, and, when applicable, the authorization of services other than those prohibited, in the terms provided for in the applicable regulations, as well as to receive other communications included in the accounts auditing regulations. In any case, the statutory auditors shall submit annually:
 - a) Written confirmation of their independence vis-à-vis the Institution or institutions related to it, directly or indirectly.
 - b) Detailed and individualized information of the additional services of any kind provided to those institutions by the mentioned auditor, or by the persons or institutions related to it in accordance with the provisions of the regulations on the account auditing activity.

- iv. To issue, annually, prior to the issuance of the report on the accounts audit, a report expressing an opinion on whether the independence of the statutory auditor is compromised. This report shall include, in any case, an opinion on the reasoned assessment of the provision of all the additional services referred to in the paragraph above.
 - v. In case of resignation of the statutory auditor, to examine the circumstances that may have caused it.
 - vi. To check that the remuneration of the statutory auditor does not compromise its quality or its independence.
 - vii. To discuss with the statutory auditor the significant weaknesses of the internal control system detected in the development of the audit, without compromising its independence and presenting, in any case, recommendations or proposals to the Board of Directors and the corresponding term for follow-up.
 - viii. To oversee that the Institution notifies as a relevant fact (*hecho relevante*) to the CNMV the change of auditor and that it attaches a statement on the eventual existence of disagreements with the leaving auditor and, if there were any, to include its contents.
 - ix. To ensure that the statutory auditor holds annually a meeting with the full Board of Directors to inform them of the works carried out and of the evolution of the accounting and risk situation of the Institution.
 - x. To ensure that the Institution and the statutory auditor respect the regulations in force on the provision of services other than audit services, the limits to the auditor's business concentration and, in general, all the other regulations on auditors' independence.
- (d) With regard to compliance with corporate governance rules:
- i. The oversight of compliance with the internal codes of conduct and with the Institution's corporate governance rules.
 - ii. The oversight of the communication and shareholder and investor relations strategy, including small and medium shareholders.
 - iii. The periodic assessment of the suitability of the Institution's corporate governance system, for it to fulfill its mission to promote the corporate interest and to take into account, as corresponding, the legitimate interests of the other stakeholders.
 - iv. The review of the Institution's corporate social responsibility policy, arranging for it to be focused on the creation of value.
 - v. The follow-up of the corporate social responsibility strategy and practices, and the assessment of its degree of achievement.
 - vi. The oversight and assessment of the processes of relations with the different stakeholders.
 - vii. The assessment of all those matters related to the company's non-financial risks – including operational, technology, legal, social, environmental, politic and reputational risks-.

- viii. The coordination of the process of reporting non-financial information and on diversity, according to the applicable regulations and to the international standards of reference.
 - ix. To inform the Board of Directors in advance of those transactions that the Institution carries out with Directors, Senior Officers or significant shareholders or shareholders represented at the Board, or with persons related to them (“related party transactions”), in accordance with the provisions of the applicable regulations, of the Bylaws, the Board Regulations and of the “Policy for the identification and management of conflicts of interest and related party transactions of directors, significant shareholders and senior officers”. For that purpose, it may request reports from experts if deemed appropriate.
- (e) With regard to regulatory compliance:
- i. To arrange for compliance with the applicable regulations, national or international, in matters related to money laundering prevention, conduct in securities markets, personal data protection and criminal risk prevention, among others, carrying out a monitoring of the main legal risks applicable to the Institution in those matters under its remit.
 - ii. To know the degree of regulatory compliance by the different units and departments of the Institution, as well as the correcting measures recommended by the internal audit in previous actions, informing the Board in those cases which may entail a significant risk for the Institution.
 - iii. To review the drafts of ethical and conduct codes and its respective amendments, which may have been drawn up, and to issue an opinion before submitting the proposals to the Board of Directors.
 - iv. To oversee the compliance with the Internal Code of Conduct in Securities Market and the development of the functions assigned to the Regulatory Compliance Directorate, and to be aware of the reports and proposals sent by the said Directorate.
 - v. To approve the annual work plan of the regulatory compliance function and the report or annual report of activities, to receive periodic information on its activities, to reply to the information requests and to check that the Senior Management takes into account the conclusions and recommendations of its reports.
- (f) With regard to the structural and corporate modification transactions intended to be carried out by the Institution, the Committee will be informed, for it to analyse them and report the Board of Directors beforehand, on their economic conditions and accounting impact and, especially, if applicable, on the proposed exchange ratio.

Regulations of the Audit Committee

The subjects which must be known by the Audit and Regulatory Compliance Committee and its rules are specified in the Bylaws, in the Board Regulations and in the Committee’s Regulations, which complement and/or develop the regulatory provisions.