

**REPORT OF THE BOARD OF DIRECTORS OF SACYR, S.A. IN
RELATION TO THE PROPOSED AMENDMENTS TO THE ARTICLES
OF ASSOCIATION REFERRED TO IN ITEM TEN ON THE AGENDA OF
THE ANNUAL GENERAL MEETING CALLED FOR 10 JUNE AND 11
JUNE 2020, AT FIRST AND SECOND CALL, RESPECTIVELY**

1. Introduction

The Board of Directors of Sacyr, S.A. (the “**Company**”) issues this report, in accordance with section 286 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), to justify the proposed amendments to the Company’s Articles of Association (the “**Articles of Association**”) that are submitted for approval at the General Meeting under item **eight** on the agenda. For all appropriate purposes, this report also includes the full wording of the proposed amendments.

To make it easier for shareholders to understand the changes that have given rise to these proposals, a statement of the purpose and justification of these amendments is provided, followed by the amendments to the Articles of Association that are submitted for approval at the General Meeting.

2. General justification of the proposal

The proposed amendments to the Company’s Articles of Association are, in general, part of the ongoing process of review and updating carried out by the Company in relation to its internal corporate governance rules.

The objectives of these amendments are as follows:

- a) To introduce statutory recognition of the Purpose, Mission, Vision and Values of the Company.
- b) To introduce statutory recognition of the authority of the General Meeting regarding the approval of the statement of non-financial information.
- c) To promote and lead to the statutory recognition, in the use of free will protected by law, of the Company’s commitment to continue to improve corporate social responsibility and sustainability, reviewing the definition of “value creation” and creating a new Sustainability and Corporate Governance Committee.
- d) To review the Articles of Association as a result of the creation of the Sustainability and Corporate Governance Committee, both with regard to the already existing Audit and Corporate Governance Committee, which is now called the Audit Committee, and the assignment of powers to each committee, and, lastly, ensuring that the content of the rest of the Articles of Association is in line with the previous amendments.

3. Structure of the amendments and general justification

To ensure that voting rights are properly exercised by shareholders, in line with the recommendation of the Code of Good Corporate Governance and section 197 *bis* of the Corporate Enterprises Act, the proposed amendments have been grouped together, for voting purposes, into the following distinct blocks, namely:

3.1 Amendments affecting the statutory recognition of the Purpose, Mission, Vision and Values of the Company

Amendments to article 1 (*Company name and applicable regulations*) and article 2 bis (*Corporate interest*) of the Articles of Association for the purpose of introducing the statutory recognition of the Purpose, Mission, Vision and Values of the Company.

3.2 Amendments affecting the statutory regulation of the General Meeting

Amendments to article 19 (*Distribution of powers*) of the Articles of Association for the purpose of the statutory recognition of the General Meeting's authority to approve the statement of non-financial information.

3.3 Amendments affecting the statutory recognition of the Company's commitment to corporate social responsibility and sustainability

Amendments to article 40 (*Value creation*) of the Articles of Association for the purpose of introducing the concept of sustainability. Also, amendments to article 47 (*Delegated bodies of the Board of Directors and advisory committees*), article 48 (*Audit and Corporate Governance Committee*) and the introduction of a new article 48 bis (*Sustainability and Corporate Governance Committee*) as a result of the creation of the Sustainability and Corporate Governance Committee. And lastly, amendments to article 54 (*Removal of directors*), article 57 (*Annual corporate governance report*) and article 60 (*Audit of the financial statements*) to ensure they are consistent with the creation of the Sustainability and Corporate Governance Committee, and the subsequent change in the name of the Audit Committee.

4. Specific justification for the amendments

In accordance with the grouping of the aforementioned amendments, and to facilitate the explanation and justification of the proposed amendments to the Articles of Association, they will be grouped together in the same manner as the blocks of amendments that are put to a vote:

4.1 Amendments affecting the statutory recognition of the Purpose, Mission, Vision and Values of the Company

The Articles of Association should include the concepts of Purpose, Mission, Vision and Values developed in the Sacyr Group's Code of Conduct, which are considered the basic ideological and axiological principles that guide professional and personal behaviour to obtain added value for its shareholders, employees, Group companies and other stakeholders through its business activities.

Through their express inclusion, Chapter I of the Articles of Association recognises the regulatory nature of the Purpose, Mission, Vision and Values of the Company and, therefore, they are recognised as basic content of higher regulations, i.e. its Corporate Governance System. They will therefore be considered guidelines in the application and interpretation, in accordance with current law, of the development of the Company's business activities and its entire Corporate Governance System, which will guide them in terms of sustainable development and in the ethical behaviour of all parties involved.

4.2 Amendments affecting the statutory regulation of the General Meeting

The Company wishes to strengthen the performance, management and transparency of the actions carried out in social, environmental and sustainability areas. Therefore, in accordance with current law, the Company's Articles of Association will expressly recognise the authority of the General Meeting to approve non-financial information, as the ideal document to reflect the creation of sustainable value that the activity of Sacyr and its Group represents for all stakeholders.

4.3 Amendments affecting the statutory recognition of the Company's commitment to corporate social responsibility and sustainability

The purpose of these amendments to the Articles of Association is to formalise the commitment to sustainability and the Sustainable Development Goals (SDG) undertaken by Sacyr and its Group. This corporate purpose is fully in line with, and cannot be separated from, any other commitment to create shared, long-term value for all stakeholders.

In order to guarantee and strengthen these commitments, Sacyr wanted to recognise this commitment in the Articles of Association, on the one hand, by reviewing the concept of "value creation" and, on the other hand, by reflecting the creation of an *ad hoc* committee that is competent in the area of sustainability, in addition to Corporate Governance.

Accordingly, article 40 of the Articles of Association is therefore amended, which includes guidelines for the Board of Directors, its delegated bodies and the Company's management team consisting of "maximising the Company's value". This proposal reviews the definition of "value creation" in order to include the concept of sustainability, to ensure the creation of long-term value for all shareholders, employees and other stakeholders.

As a result of the Company's commitment to corporate social responsibility and sustainability, the Board of Directors, at its meeting held on 27 February 2020, following a favourable report by the Appointments and Remuneration Committee, and within the powers conferred on the Board by the Corporate Governance System, agreed to set up the Sustainability and Corporate Governance Committee, and all the changes resulting from the creation of this new committee.

Specifically, the creation of the new Sustainability and Corporate Governance Committee necessarily led to a change in the name and the distribution of powers of the Audit and Corporate Governance Committee, which was renamed the Audit

Committee and is now exclusively responsible for matters related to auditing. In this regard, a proposal has been put forward to amend article 47 (*Delegated bodies of the Board of Directors and advisory committees*) and article 48 (*Audit and Corporate Governance Committee*), and to introduce a new article 48 bis (*Sustainability and Corporate Governance Committee*) in the Articles of Association to bring them into line with all these changes.

Specifically, the amendment to article 47 (*Delegated bodies of the Board of Directors and advisory committees*) places on record the change in the name of the Audit and Corporate Governance Committee, which is now called the Audit Committee, and indicates the existence of the new delegated committee of the Board of Directors called the Sustainability and Corporate Governance Committee.

The amendment to article 48 (*Audit and Corporate Governance Committee*) places on record the new name of the committee, which is now called the Audit Committee, and the fact that the majority of its members must be independent.

A proposal is put forward to include a new article 48 bis (*Sustainability and Corporate Governance Committee*) in order to recognise this committee in the Articles of Association, and to regulate its composition, delegation of powers and operation.

Likewise, in line with the change in the name of the Audit Committee and the creation of the new Sustainability and Corporate Governance Committee, a proposal is put forward to amend article 54 (*Removal of directors*), article 57 (*Annual corporate governance report*) and article 60 (*Audit of the financial statements*) of the Articles of Association. A proposal is put forward to amend article 54 of the Articles of Association to place on record the change in the name of the Audit Committee and the creation of the new Sustainability and Corporate Governance Committee. Article 57 of the Articles of Association is amended to place on record the functions of the Sustainability and Corporate Governance Committee, which include issuing a report prior to the preparation of the annual corporate governance report by the Board. Lastly, article 60 of the Articles of Association is amended to include the new name of the Audit Committee.

5. Amendments proposed at the General Shareholders Meeting

The full wording of the proposed amendments to the Articles of Association is transcribed below:

Article 1: Company name and applicable regulations

- 1. The Company is called “Sacyr, S.A.” (the “Company”).*
- 2. The Company is governed by the legal provisions relating to listed companies and other applicable legal or regulatory provisions, as well as by its Corporate Governance System, which includes the Company’s Articles of Association, Purpose, Mission, Vision and Values, internal regulations and codes, and corporate policies.*

3. *The Corporate Governance System is the Company's internal regulation that, in exercising the corporate autonomy protected by law, is projected onto the Company and its Group, to systematically ensure, in accordance with regulations, the best development of the articles of incorporation, the corporate purpose and the corporate interest, as defined in these Articles of Association.*
4. *The General Shareholders Meeting and the Board of Directors of the Company are responsible, in their respective areas of responsibility, for developing, applying and interpreting the rules that form part of the Corporate Governance System to ensure that its purposes are fulfilled at all times and, in particular, that the corporate interest is achieved.*

Article 2 bis: Corporate interest

The Company considers corporate interest to be the common interest of all shareholders of an independent listed company, aimed at the creation of sustainable value and reflected in the value of its shares, by carrying out the business activities included in its corporate purpose, in accordance with a balanced, profitable and innovative business management model, aimed at excellence in all its lines of business, taking into consideration other stakeholders related to its business activities and institutional reality, in accordance not only with the current law, the Company's Articles of Association and the other rules that make up its Corporate Governance System, but especially with its Purpose, Mission, Vision and Values.

Article 19: Distribution of powers

1. *The governing bodies of the Company include the General Meeting, the Board of Directors and the delegated bodies created within the latter.*
2. *The General Meeting has the authority to decide on any matters attributed to it by law or under the Articles of Association. In particular, merely for illustration purposes, it is responsible for:*
 - a) *The approval of the financial statements, distribution of profit or allocation of loss and approval of the conduct of the Company's business.*
 - b) *The approval of the statement of non-financial information.*
 - c) *The appointment and removal of directors, liquidators and auditors, as well as the institution of actions for liability against any of them.*
 - d) *The approval of the maximum remuneration of all directors, in their capacity as such, and their remuneration policy in accordance with the Corporate Enterprises Act.*
 - e) *The amendments to the Articles of Association.*
 - f) *The increase and reduction of share capital.*
 - g) *The disapplication or limitation of pre-emption rights.*

- h) *The acquisition, disposal or contribution of essential assets to another company.*
 - i) *An alteration of legal form, merger, spin-off or transfer in bloc of assets and liabilities and the transfer of the registered office abroad.*
 - j) *The transfer to subsidiaries of core activities carried out up until then by the Company itself, even when the Company retains full control over them.*
 - k) *The dissolution of the Company.*
 - l) *The approval of any transaction whose effect is equivalent to the liquidation of the Company.*
 - m) *The approval of the final liquidation balance sheet.*
 - n) *The approval of specific Regulations of the General Meeting and their amendments.*
 - o) *The waiver, in certain cases in which the transaction does not prejudice the corporate interest, of the prohibitions established by section 229 of the Corporate Enterprises Act, to (i) give a director or a person related thereto authorisation to perform a certain transaction with the Company, the value of which exceeds ten per cent of the Company's assets; and (ii) give a third party authorisation to obtain an advantage or remuneration or waive the non-compete obligation.*
 - p) *Any other matters as determined by applicable regulations or the Articles of Association.*
3. *The powers not attributed by law or under the Articles of Association to the General Meeting correspond to the Board.”*

Article 40: Value creation

- 1. *The Board of Directors, its delegated bodies and the Company's management team will exercise their powers and, in general, perform their duties in accordance with corporate interest, as defined in article 2 bis of the Articles of Association, seeking to maximise the Company's value in a sustainable manner.*
- 2. *The Board of Directors and the management team must strive to maximise the sustainable value of the Company, while respecting the requirements imposed by law, fulfilling in good faith explicit and implicit obligations assumed with employees, suppliers and customers and, in general, observing those ethical duties that are necessary for business to be conducted in a responsible manner.*

Article 47: Delegated bodies of the Board of Directors and advisory committees

- 1. *The Board of Directors may permanently delegate all or some of its powers to an Executive Committee and/or to one or more managing*

directors, and determine which Board members are to form part of the delegated bodies, and also, as appropriate, the way in which the powers conferred are to be exercised.

2. *The permanent delegation of powers and the decisions as to which Board members are to hold such positions will require the vote in favour of two thirds of the number of Board members, as established at the time by the General Meeting, in order to be valid, even if such number is not covered in full or even if vacancies may have subsequently arisen.*
3. *The Board of Directors must create an Audit Committee, a Sustainability and Corporate Governance Committee, and an Appointments and Remuneration Committee, and may create other committees or advisory committees with the powers determined by the Board.*

Article 48: Audit Committee

1. *An Audit Committee will be set up within the Board of Directors, consisting of a minimum of three and a maximum of five directors appointed by the Board. All members of the Audit Committee will be non-executive directors on the Board. The majority of its members must be independent directors and one of the members must be appointed on the basis of their knowledge and experience in accounting, auditing, or both.*
2. *The members of the Audit Committee will be elected for a maximum period of four years and may be re-elected for one or more subsequent terms of equal length.*

The Chairperson of the Audit Committee will be appointed by the Board from among the independent directors and must be replaced every four years, however, they are eligible for re-election one year after completing their term.

The Audit Committee will also have a Secretary, who will be the Secretary to the Board and who will have the right to speak but not vote. If the Secretary is absent, unable to attend or indisposed, they will be replaced in the performance of their duties by the Deputy Secretary to the Board, who will also have the right to speak but not vote.

3. *The Audit Committee will have the functions attributed thereto by law, these Articles of Association and the Board Regulations.*
4. *The Audit Committee will meet at least once per quarter and as often as appropriate, following a call by the Chairperson, either on his own initiative or at the request of three of its members or the executive committee.*
5. *The Audit Committee will be validly convened with the attendance in person or by proxy of at least more than half of its members and will pass its resolutions by an absolute majority of those attending in person or by proxy. In the event of a tie, the Chairperson will have the casting vote.*

Unless stipulated otherwise, the powers of the Audit Committee are advisory in nature and exercised to make proposals to the Board.

- 6. The Board of Directors may implement and supplement the above-mentioned rules in its Regulations, in accordance with the Articles of Association and applicable regulations.*

Article 48 bis: Sustainability and Corporate Governance Committee

- 1. A Sustainability and Corporate Governance Committee will be set up within the Board of Directors, consisting of a minimum of three and a maximum of five directors appointed by the Board. All members of the Sustainability and Corporate Governance Committee will be non-executive directors, the majority of whom must be independent directors.*

- 2. The members of the Sustainability and Corporate Governance Committee will be elected for a maximum period of four years and may be re-elected for one or more subsequent terms of equal length.*

The Chairperson of the Sustainability and Corporate Governance Committee will be appointed by the Board from among the independent directors that are also Committee members.

The Sustainability and Corporate Governance Committee will also have a Secretary, who will be the Secretary to the Board and who will have the right to speak but not vote. If the Secretary is absent, unable to attend or indisposed, they will be replaced in the performance of their duties by the Deputy Secretary to the Board, who will also have the right to speak but not vote.

- 3. The Sustainability and Corporate Governance Committee will have the functions attributed thereto by law, these Articles of Association and the Board Regulations.*
- 4. The Sustainability and Corporate Governance Committee will meet at least once per quarter and as often as appropriate, following a call by the Chairperson, either on his own initiative or at the request of three of its members or the executive committee.*
- 5. The Sustainability and Corporate Governance Committee will be validly convened with the attendance in person or by proxy of more than half of its members and will pass its resolutions by an absolute majority of those attending in person or by proxy. In the event of a tie, the Chairperson will have the casting vote. Unless stipulated otherwise, the powers of the Sustainability and Corporate Governance Committee are advisory in nature and exercised to make proposals to the Board.*
- 6. The Board of Directors will implement the above-mentioned rules in its Regulations, in accordance with the Articles of Association and applicable regulations.*

Article 54: Removal of directors

1. *Directors will cease to hold office when the General Meeting so decides, when they notify the Company of their resignation or decision to stand down, or when the term for which they were appointed elapses. In this last case, the director will cease to hold office when, once their term of office has elapsed, the first General Meeting is held or the period for holding the General Meeting to resolve on the approval of the previous year's financial statements has elapsed.*
2. *Directors must tender their resignation to the Board and, if the Board considers it appropriate, resign in the following cases: (a) when they cease to hold the executive positions associated with their appointment as directors; (b) when they become subject to any incompatibility or prohibition provided for by law and especially when they are in a situation where they have a conflict of interest under section 224.2 of the Corporate Enterprises Act; (c) when the Appointments and Remuneration Committee, the Sustainability and Corporate Governance Committee and the Audit Committee report to the Board and the Board finds that the director has seriously or very seriously breached their obligations as director and, in particular, the obligations arising from the legal duty of loyalty, including those obligations to avoid conflicts of interest and other obligations imposed on them in this regard in the Corporate Governance System; (d) when their remaining on the Board may put the Company's interests at risk or adversely affect the Company's repute and reputation, and when reported by the Appointments and Remuneration Committee, or (e) in the case of proprietary directors, when the entries in the Detailed Records of the entities participating in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (Iberclear) indicate that the shareholder they represent no longer holds an interest in the Company's share capital, or that their shareholding has been reduced to a level that entails the obligation to reduce the number of proprietary directors.*

Article 57: Annual corporate governance report

1. *The Board of Directors, following a report from the Sustainability and Corporate Governance Committee, will prepare an annual corporate governance report with at least the content required by applicable regulations.*
2. *The annual corporate governance report will be disseminated as required by law.*

Article 60: Audit of the financial statements

1. *The Company's financial statements and directors' report, as well as the consolidated financial statements and consolidated directors' report, must be reviewed by the auditor under the terms envisaged in applicable*

regulations.

2. *The auditor will be appointed by the General Meeting before the end of the financial year to be audited, for an initial period of time that may not be less than three years or more than nine years from the date on which the first financial year to be audited begins, without prejudice to the regulations that govern auditing activities with regard to the possibility of an extension.*
3. *The Audit Committee must authorise any contracts between the Company and the auditor that are not considered part of auditing activities. Such authorisation will not be granted if the Audit Committee considers that the contracts may reasonably compromise the independence of the auditor in the performance of the audit.*

In the notes to the financial statements, the Board of Directors will include information on (i) services other than the audit of the financial statements provided to the Company by the auditor or by any firm with which the auditor has a significant relationship, and (ii) the overall fees paid for these services.

Madrid, 27 February 2020

Appendix

Comparative version of the articles to be amended

Article 1 : Company name and applicable regulations

1. *The Company is called “Sacyr, S.A.” (the “Company”).*
2. *The Company is governed by the legal provisions relating to listed companies and other applicable legal or regulatory provisions, as well as by its Corporate Governance System, which includes the Company’s Articles of Association, Purpose, Mission, Vision and Values, internal regulations and codes, and corporate policies.*
- ~~3.~~ 3. *The Corporate Governance System is the Company’s internal regulation that, in exercising the corporate autonomy protected by law, is projected onto the Company and its Group, to systematically ensure, in accordance with regulations, the best development of the articles of incorporation, the corporate purpose and the corporate interest, as defined in these Articles of Association.*
- ~~4.~~ 4. *The General Shareholders Meeting and the Board of Directors of the Company are responsible, in their respective areas of responsibility, for developing, applying and interpreting the rules that form part of the Corporate Governance System to ensure that its purposes are fulfilled at all times and, in particular, that the corporate interest is achieved.*

Article 2 bis: Corporate interest

The Company considers corporate interest to be the common interest of all shareholders of an independent listed company, aimed at the ~~sustainable~~ creation of sustainable value and reflected in the value of its shares, by carrying out the business activities included in its corporate purpose, in accordance with a balanced, profitable and innovative business management model, aimed at excellence in all its lines of business, taking into consideration other stakeholders related to its business activities and institutional reality, in accordance not only with the current law, the Company’s Articles of Association and the other rules that make up its Corporate Governance System, but especially with its Purpose, Mission, Vision and Values.

Article 19: Distribution of powers

- ~~1-1.~~ 1. *The governing bodies of the Company include the General Meeting, the Board of Directors and the delegated bodies created within the latter.*
- ~~2-2.~~ 2. *The General Meeting has the authority to decide on any matters attributed to it by law or under the Articles of Association. In particular, merely for illustration purposes, it is responsible for:*
- ~~a)~~ a) *The approval of the annual accounts, the distribution of the profits and the approval of the corporate management.*
- b) *The approval of the statement of non-financial information.*
- ~~b)~~ c) *The appointment and removal of directors, liquidators and auditors, as well as the institution of actions for liability against any of them.*
- ~~e)~~ d) *The approval of the maximum remuneration of all directors, in their capacity as such, and their remuneration policy in accordance with the Corporate Enterprises Act.*
- ~~d)~~ e) *The amendments to the Articles of Association.*
- ~~e)~~ f) *The increase and reduction of share capital.*
- ~~f)~~ g) *The disapplication or limitation of pre-emption rights.*
- ~~g)~~ h) *The acquisition, disposal or contribution of essential assets to another company.*
- ~~h)~~ i) *An alteration of legal form, merger, spin-off or transfer in bloc of assets and liabilities and the transfer of the registered office abroad.*
- ~~i)~~ j) *The transfer to subsidiaries of core activities carried out up until then by the Company itself, even when the Company retains full control over them.*
- ~~j)~~ k) *The dissolution of the Company.*
- ~~k)~~ l) *The approval of any transaction whose effect is equivalent to the liquidation of the Company.*
- ~~l)~~ m) *The approval of the final liquidation balance sheet.*
- ~~m)~~ n) *The approval of specific Regulations of the General Meeting and their amendments.*
- ~~n)~~ o) *The waiver, in certain cases in which the transaction does not prejudice the corporate interest, of the prohibitions established by section 229 of the Corporate Enterprises Act, to (i) give a director or a person related thereto authorisation to perform a certain transaction with the Company, the value of which exceeds ten per cent of the Company's assets; and (ii) give a third party authorisation to obtain an advantage or remuneration or waive the non-compete obligation.*

~~o) p)~~ Any other matters as determined by applicable regulations or the Articles of Association.

~~3-3.~~ The powers not attributed by law or under the Articles of Association to the General Meeting correspond to the Board.”

Article ~~40-40:~~ Value creation

~~1-1.~~ The Board of Directors, its delegated bodies and the Company’s management team will exercise their powers and, in general, perform their duties in accordance with corporate interest, as defined in article 2 bis of the Articles of Association, seeking to maximise the Company’s value ~~at long term and the shares representing their ownership interest.~~ in a sustainable manner.

~~2-2.~~ The Board of Directors and the management team must strive to maximise the sustainable value of the Company ~~in the interest of the shareholders~~, while respecting the requirements imposed by law, fulfilling in good faith explicit and implicit obligations assumed with employees, suppliers and customers and, in general, observing those ethical duties that are necessary for business to be conducted in a responsible manner.

Article ~~47-47:~~ Delegated bodies of the Board of Directors and advisory committees-

~~1-1.~~ The Board of Directors may permanently delegate all or some of its powers to an Executive Committee and/or to one or more managing directors, and determine which Board members are to form part of the delegated bodies, and also, as appropriate, the way in which the powers conferred are to be exercised.

~~2-2.~~ The permanent delegation of powers and the decisions as to which Board members are to hold such positions will require the vote in favour of two thirds of the number of Board members, as established at the time by the General Meeting, in order to be valid, even if such number is not covered in full or even if vacancies may have subsequently arisen.

~~3-3.~~ The Board of Directors must create an Audit Committee, a Sustainability and Corporate Governance Committee, and an Appointments and Remuneration Committee, and may create other committees or advisory committees with the powers determined by the Board.

Article ~~48-48:~~ Audit ~~and Corporate Governance~~ Committee-

~~1-1.~~ An Audit ~~and Corporate Governance~~ Committee will be set up within the Board of Directors, consisting of a minimum of three and a maximum of five directors appointed by the Board. All members of the Audit ~~and Corporate Governance,~~ Committee will be non-executive directors on the

Board. ~~At least two of them~~ The majority of its members must be independent directors and one of the members must be appointed on the basis of their knowledge and experience in accounting, auditing, or both.

~~2.2.~~ The members of the Audit ~~and Corporate Governance~~ Committee will be elected for a maximum period of four years and may be re-elected for one or more subsequent terms of equal length.

The Chairperson of the Audit ~~and Corporate Governance~~ Committee will be appointed by the Board from among the independent directors and will be replaced every four years, however, they are eligible for re-election one year after completing their term.

The Audit ~~and Corporate Governance~~ Committee will also have a Secretary, who will be the Secretary to the Board and who will have the right to speak but not vote. If the Secretary is absent, unable to attend or indisposed, they will be replaced in the performance of their duties by the Deputy Secretary to the Board, who will also have the right to speak but not vote.

~~3.3.~~ The Audit ~~and Corporate Governance~~ Committee will have the functions attributed thereto by law, these Articles of Association and the Board Regulations.

~~4.4.~~ The Audit Committee will meet at least once per quarter and as often as appropriate, following a call by the Chairperson, either on his own initiative or at the request of three of its members or the executive committee.

~~5.5.~~ The Audit ~~and Corporate Governance~~ Committee will be validly convened with the attendance in person or by proxy of at least more than half of its members and will pass its resolutions by an absolute majority of those attending in person or by proxy. In the event of a tie, the Chairperson will have the casting vote. Unless stipulated otherwise, the powers of the Audit ~~and Corporate Governance~~ Committee are advisory in nature and exercised to make proposals to the Board.

~~6.6.~~ The Board of Directors may implement and supplement the above-mentioned rules in its Regulations, in accordance with the Articles of Association and applicable regulations.

Article 48 bis: Sustainability and Corporate Governance Committee

1. A Sustainability and Corporate Governance Committee will be set up within the Board of Directors, consisting of a minimum of three and a maximum of five directors appointed by the Board. All members of the Sustainability and Corporate Governance Committee will be non-executive directors, the majority of whom must be independent directors.

2. The members of the Sustainability and Corporate Governance Committee will be elected for a maximum period of four years and may be re-elected for one or more subsequent terms of equal length.

The Chairperson of the Sustainability and Corporate Governance Committee will be appointed by the Board from among the independent directors that are also Committee members.

The Sustainability and Corporate Governance Committee will also have a Secretary, who will be the Secretary to the Board and who will have the right to speak but not vote. If the Secretary is absent, unable to attend or indisposed, they will be replaced in the performance of their duties by the Deputy Secretary to the Board, who will also have the right to speak but not vote.

3. The Sustainability and Corporate Governance Committee will have the functions attributed thereto by law, these Articles of Association and the Board Regulations.

4. The Sustainability and Corporate Governance Committee will meet at least once per quarter and as often as appropriate, following a call by the Chairperson, either on his own initiative or at the request of three of its members or the executive committee.

5. The Sustainability and Corporate Governance Committee will be validly convened with the attendance in person or by proxy of more than half of its members and will pass its resolutions by an absolute majority of those attending in person or by proxy. In the event of a tie, the Chairperson will have the casting vote. Unless stipulated otherwise, the powers of the Sustainability and Corporate Governance Committee are advisory in nature and exercised to make proposals to the Board.

6. The Board of Directors will implement the above-mentioned rules in its Regulations, in accordance with the Articles of Association and applicable regulations.

Article 54: Removal of directors

1. Directors will cease to hold office when the General Meeting so decides, when they notify the Company of their resignation or decision to stand down, or when the term for which they were appointed elapses. In this last case, the director will cease to hold office when, once their term of office has elapsed, the first General Meeting is held or the period for holding the General Meeting to resolve on the approval of the previous year's financial statements has elapsed.

~~2.~~ 2. Directors must tender their resignation to the Board and, if the Board considers it appropriate, resign in the following cases: (a) when they cease to hold the executive positions associated with their appointment as directors; (b) when they become subject to any incompatibility or

prohibition provided for by law and especially when they are in a situation where they have a conflict of interest under section 224.2 of the Corporate Enterprises Act; (c) when the Appointments and Remuneration Committee, the Sustainability and Corporate Governance Committee and the ~~Audit and Corporate Governance~~ Committee report to the Board and the Board finds that the director has seriously or very seriously breached their obligations as director and, in particular, the obligations arising from the legal duty of loyalty, including those obligations to avoid conflicts of interest and other obligations imposed on them in this regard in the Corporate Governance System; (d) when their remaining on the Board may put the Company's interests at risk or adversely affect the Company's repute and reputation, and when reported by the Appointments and Remuneration Committee, or (e) in the case of proprietary directors, when the entries in the Detailed Records of the entities participating in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (Iberclear) indicate that the shareholder they represent no longer holds an interest in the Company's share capital, or that their shareholding has been reduced to a level that entails the obligation to reduce the number of proprietary directors.

Article ~~57.57~~: Annual corporate governance report.

~~1.1.~~ 1.1. The Board of Directors, following a report from the ~~Audit~~ Sustainability and Corporate Governance Committee, will prepare an annual corporate governance report with at least the content required by applicable regulations.

~~2.2.~~ 2.2. The annual corporate governance report will be disseminated as required by law.

Article ~~60.60~~: Audit of the financial statements.

1. The Company's financial statements and directors' report, as well as the consolidated financial statements and consolidated directors' report, must be reviewed by the auditor under the terms envisaged in applicable regulations.

2. The ~~Auditor~~ auditor will be appointed by the General Meeting before the end of the financial year to be audited, for an initial period of time that may not be less than three years or more than nine years from the date on which the first financial year to be audited begins, without prejudice to the regulations that govern auditing activities with regard to the possibility of an extension.

~~3.3.~~ 3.3. The Audit ~~and Corporate Governance~~ Committee must authorise any contracts between the Company and the auditor that are not considered

part of auditing activities. Such authorisation will not be granted if the Audit ~~and Corporate Governance~~ Committee considers that the contracts may reasonably compromise the independence of the auditor in the performance of the audit.

In the notes to the financial statements, the Board of Directors will include information on (i) services other than the audit of the financial statements provided to the Company by the auditor or by any firm with which the auditor has a significant relationship, and (ii) the overall fees paid for these services.

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Madrid, 27 February 2020