



Regulations  
of the Board  
of Directors  
of Elecnor, S.A.

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## Chapter I INTRODUCTION

### Article 1 Purpose

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The purpose of these Regulations is to determine the principles of action of the Board of Directors of ELEC NOR, S.A. (hereinafter “Elecnor” or the “Company”), including the basic rules for its organisation and operation, updating and collecting in a single document a set of measures and practices previously adopted and reflected in the Company’s existing Bylaws.

For the purposes of these Regulations, and with regard to the concept of a “Group”, the provisions of Article 42 of the Code of Commerce shall be followed.

### Article 2 Scope of application

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These Regulations are directly applicable to the Board, as a collegiate body, and to the Directors, who, as members of the Board, contribute to forming the determination of that body. The Directors have an obligation to know, comply with and enforce these Regulations.

### Article 3 Interpretation

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The content of these Regulations shall be interpreted in accordance with the applicable legal and statutory standards, and in accordance with the principles and recommendations arising from the codes of corporate governance; the Board of Directors is empowered to resolve interpretative enquiries that might arise in their implementation.

In any case, these Regulations are complementary and supplementary to the provisions established by the Board, the Company Bylaws and the standards applicable to the Company.

### Article 4 Amendment

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These Regulations may be amended only by the Board of Directors, at the request of the Chairman or at least three Directors, who must accompany their proposal with a supporting report.

The text of the proposal and of the supporting report on the proposal shall be attached to the call notice for the Board meeting for its deliberation, and the proposal shall be expressly stated in the Agenda.

In order to be valid, amendments to the Regulations shall require the agreement of the Board of Directors, adopted by an absolute majority of the Directors attending the session (present or represented).

## Chapter II FUNCTIONS OF THE BOARD OF DIRECTORS

### Article 5 General oversight function

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Except for those matters reserved for the remit of the General Meeting, the Board of Directors is the highest decision-making body of the Company, as it is entrusted, legally and under the Company Bylaws, with the administration and representation of the Company in the development of the activities that comprise its business purpose.

Notwithstanding the foregoing, the policy of the Board of Directors is to delegate the ordinary

management of the Company to the management team and concentrate its activity on the general oversight function.

The powers that are reserved, legally or under the Company Bylaws, for the direct knowledge of the Board of Directors or those necessary for the responsible exercise of the general oversight functions shall not be delegated. Specifically, the Board of Directors as a whole is responsible for exercising the following functions and responsibilities, in addition to those foreseen as non-delegable under current legislation:

- a) Identification and approval of the Company's general policies and strategies, and in particular:
  - (i) The Company's policy on treasury stock.
  - (ii) The strategic or business plan, annual budget and management objectives, investment and finance policy, and the dividend policy.
  - (iii) The corporate social responsibility policy.
  - (iv) Risk management and control policy, including tax risk, and oversight of internal information and control systems.
  - (v) The corporate governance policy of the Company and the group of which it is a dominant entity.
  - (vi) The definition of the structure of the group of companies of which the Company is the dominant entity.
  - (vii) The Company's tax strategy.
  - (viii) The information and communication policy with shareholders, markets and public opinion.
  - (ix) The policy for selecting Directors.
- b) Oversight of the effective functioning of the Commissions it establishes and the actions of the delegated bodies and the executives it designates.
- c) Authorisation or waiver of obligations arising from the duty of loyalty and related operations in accordance with the provisions of the Law and of these Regulations.
- d) Formulation of any kind of report required by Law for the Board of Directors provided that the operation referred to in the report cannot be delegated.
- e) Decisions concerning the remuneration of Directors, within the statutory framework, and the remuneration policy for Directors, all in accordance with current legislation.
- f) Appointment and removal of the Company's Chief Executive Officers, as well as the establishment of the terms of their contracts.
- g) Appointment, removal, drawing up of the remuneration policy, controlling the management activity and evaluation of the management team, as well as the establishment of the basic conditions of their contracts, including their remuneration.
- h) Calling the General Shareholders' Meeting and drawing up of the agenda and the proposal of agreements.
- i) The powers delegated to the Board of Directors by the General Meeting, unless expressly authorised by the latter to subdelegate them.
- j) Identification of the Company's main risks, especially risks arising from operations with derivatives, and implementation and monitoring of adequate internal control and information systems.
- k) Approval of all investments or operations that, due to their high value or special characteristics, are of a strategic nature or have special tax risk, unless the approval of these corresponds to the General Meeting.

- l) Approval of the creation or acquisition of holdings in special-purpose entities or entities with registered offices in countries or territories classified as tax havens, and any other transaction and operation which could be detrimental to the transparency of the Company and its Group.
- m) Its organisation and operation, and in particular, the approval and amendment of these Regulations.
- n) Preparation of the Annual Report on the Remuneration of Directors.
- o) Approval of a Corporate Governance Report on an annual basis.
- p) Formulation of the annual financial statements and their submission to the General Meeting.
- q) Oversight of the process of drawing up and submitting financial information and the management report, including, where appropriate, mandatory non-financial information.
- r) Approval of financial information which, as a traded entity, must be made public by the Company periodically.
- s) General oversight of the different areas of the Company.
- t) Those specifically provided for in these Regulations.

Without prejudice to the attribution of said powers to the Board as a whole, for reasons of urgency which are duly justified, such powers may be adopted by their delegated bodies, with subsequent ratification by the first full Board assembled following the adoption of the decision, under terms set out by Law.

#### **Article 6**      **Creation of value**

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The overriding criterion at all times for the Board of Directors is the maximisation of the company's value in the interest of shareholders and other stakeholders, with respect in any case to current legislation and in accordance with the generally accepted criteria, values and models of ethical conduct.

### **Chapter III**      **COMPOSITION OF THE BOARD**

#### **Article 7**      **Qualitative composition**

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The Directors shall be qualified as executive or non-executive, also distinguishing themselves as proprietary, independent or other external kinds, under the terms set out by Law.

The Board of Directors shall, in exercising its powers of proposal of potential Directors to the General Meeting and co-optation to fill vacancies, attempt to ensure that Non-Executive Directors represent a large majority over the Executive Directors in the composition of the body.

In addition, the Appointments and Remunerations Commission shall take into consideration the applicable legal provisions, as well as the principles and recommendations of good corporate governance when proposing suitable candidates whose profile and experience meet the Company's needs.

In any case, the Board of Directors must comprise at least two Independent Directors.

The Board of Directors shall ensure that the selection procedures of its members take into account the training, professional experience and other legally established diversity criteria, as well as that they do not suffer from implicit biases that may involve discrimination and, in particular, to facilitate the selection of a quantity of female Directors that allows a balanced presence of women and men to be achieved.

## **Article 8**      **Quantitative composition**

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The Board of Directors shall not comprise less than five nor more than fifteen Directors.

The Board of Directors shall propose to the General Meeting the number which, in accordance with the changing circumstances of the Company, is most appropriate to ensure proper representation and effective functioning of the body.

## **Chapter IV**      **STRUCTURE OF THE BOARD OF DIRECTORS**

### **Article 9**      **Chairman of the Board**

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The Chairman of the Board of Directors shall, in turn, be the Chairman of the Company and shall be elected by the Board of Directors from amongst its members, upon prior report from the Appointments and Remunerations Commission.

The Chairman of the Board of Directors may have the status of executive of the Company, in which case their appointment shall require the favourable vote of two-thirds of the members of the Board of Directors. In addition, the Board of Directors, with the abstention of the Executive Directors, shall appoint a Lead Director from amongst the Independent Directors, who will have the powers as provided for in current legislation.

The Chairman, as the highest authority for the management and effective functioning of the Board and its Commissions, has the following powers:

- a) Convene and preside over the meetings of the Board of Directors, approve the agenda of the meetings and conduct the debates by giving the floor by order of request. The Chairman shall, however, convene the Board and include on the Agenda any particular item that is requested by three of the members, with the exceptions set forth in Article 15 of these Regulations.
- b) Preside over the General Shareholders' Meeting.
- c) Ensure that the Directors receive the necessary information in advance in order to deliberate on the items on the agenda and diligently carry out their role.
- d) Stimulate debate and active participation of Directors during the sessions, protecting the freedom to take positions and express them.

The Chairman shall also prepare and submit to the Board of Directors a schedule of dates and matters to be addressed; organise and co-ordinate the periodic evaluation of the Board, as well as, where appropriate, of the CEO of the Company; ensure that sufficient discussion time is devoted to strategic issues; and agree and review knowledge update programmes for each Director, when circumstances so merit.

## **Article 10**      **Deputy Chairmen**

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The Board shall, upon prior report from the Appointments and Remunerations Commission, elect one or more executive or non-executive Deputy Chairmen from amongst its members to replace the Chairman either by delegation or in case of absence or illness of the same and, in all cases in general, the functions or powers deemed appropriate by the Board or by the Chairman themselves.

In the event that several Deputy Chairmen are elected and the order of the Deputy Presidency has not been established, it shall be determined by the age of the elected persons in descending order.

Replacement of the Chairman by one of the Deputy Chairmen shall follow the order of the Deputy Presidency and likewise for the replacement of Deputy Chairmen.

#### **Article 11 Secretary of the Board**

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The Secretary shall be appointed and dismissed by the full Board, upon prior report from the Appointments and Remunerations Commission, without it being necessary for them have Director status. If they are not a Director, the Secretary will have a voice, but will not have a vote.

The Secretary shall assist the Chairman in their tasks and shall provide for the proper functioning of the Board, in particular: assist the Chairman so that the Directors receive the advice and information relevant to exercising their function sufficiently in advance and in the appropriate format; retain the Board's documentation; properly reflect the evolution of the meetings in the records and attest to their content and the resolutions adopted.

The Secretary shall ensure that the proceedings of the Board comply with the applicable regulations and are in accordance with the Company Bylaws and other internal regulations, and that the rules of governance are respected and regularly reviewed.

The Secretary shall also ensure that the Board of Directors, in its actions and decisions, keeps in mind the recommendations of good governance applicable to the Company, verifying compliance with the regulations on corporate governance and analysing the recommendations in this area for possible incorporation into the Company's internal standards.

#### **Article 11 bis Deputy Secretary of the Board**

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The Board may appoint a Deputy Secretary of the Board of Directors to perform the functions of the Secretary in the event of a vacancy, absence or incapacity.

The role of Deputy Secretary shall be vested in a person who may or may not have Director status. If they are not a Director, the Deputy Secretary will have a voice, but will not have a vote.

#### **Article 12 Delegated bodies of the Board of Directors and its Commissions**

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Without prejudice to the delegation of powers that are carried out in an individual capacity to any Director (Chief Executive Officers) and the power that assists them in establishing an Executive Commission and other Delegated Commissions by areas of activity, the Board of Directors may create as many internal and non-executive Commissions as it deems necessary, and may assign them powers of reporting, advising and drafting of proposals to the Board of Directors, its Chairman, or, where appropriate, the Chief Executive Officer.

The Board of Directors shall, in any case, establish an Audit Commission and a Appointments and Remunerations Commission, which shall have informative, advisory and proposing powers in the matters determined by applicable law, the Company Bylaws and in the following articles.

Except as provided for in Article 13 below in connection with the Chairman of the Audit Commission, Commission members shall be appointed for the term for which the Company's Directors have been appointed. The loss of Director status will also result in the loss of the status as a member of the Commission on which the person sits.

The Commissions shall be validly constituted when they are attended, in person or in representation, by a majority of their members, and their agreements shall be adopted by an absolute majority of the votes of the members present or represented at the meeting.

The Commissions shall leave written records of the adopted agreements in a book of minutes, indicating the date of the session, attendees and agreements adopted. The minutes of the Commissions shall be made available to all members of the Board of Directors.



The Audit Commission and the Appointments and Remunerations Commission shall prepare an annual report on their functioning and performance during the financial year, which shall serve as the basis for the evaluation to be carried out by the Board of Directors.

The Board of Directors shall approve the respective Regulations for the Audit Commission and the Appointments and Remunerations Commission, and these regulations shall put into practice the standards for composition, functions and functioning provided for in these Regulations for each of the Commissions.

### **Article 13      Audit Commission**

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The Board of Directors shall establish an Audit Commission, comprising a minimum of three and a maximum of five Directors appointed by the Board of Directors from amongst the Non-Executive Directors, the majority of which shall be Independent Directors, and one of them will be appointed taking into account their knowledge and experience in accounting, auditing or both.

The Board of Directors shall also ensure that the members of the Audit Commission, and its Chairman in particular, possess knowledge and experience in accounting, auditing or risk management and control, as well as in other areas that may be suitable for the Audit Commission to fulfil its functions.

As a whole, and without prejudice to ensuring the promotion of gender diversity and other diversity criteria, Commission members shall possess the relevant technical expertise in relation to the Company's activity sector.

The Audit Commission shall appoint a Chairman from amongst the Independent Directors for a four-year term, for which they may be re-appointed for the same term once a period of one year has elapsed from the date on which their role expires or the date their removal had been agreed upon. The Secretary of the Audit Commission may designate the Secretary of the Board of Directors.

Without prejudice to other tasks assigned to it by the Board, the Audit Commission shall, in any case, have the powers listed below:

#### **Regarding oversight of financial information:**

- a) Report to the General Shareholders' Meeting on issues raised by shareholders in matters within its remit and, in particular, on the outcome of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Commission has played in that process.
- b) Monitor the process of drawing up and submitting the mandatory financial information relating to the Company and, where appropriate, to its Group, reviewing compliance with regulatory requirements, the proper delimitation of the scope of consolidation and the correct application of accounting criteria, and to submit recommendations or proposals to the Board of Directors aimed at protecting its integrity.
- c) Inform the Board of Directors, in advance, of the financial information to be made public by the Company on a regular basis.
- d) Ensure that the Board of Directors presents the statements to the General Meeting without limitations or exceptions in the audit report. In rare cases where there are exceptions, both the Chairman of the Audit Commission and the auditors shall clearly explain the content and scope of such limitations or exceptions to the shareholders.

#### **Regarding oversight of internal control and internal audit:**

- e) Monitor the effectiveness of the Company's internal control and internal audit, ensuring the proper functioning of the information and internal control systems, as well as discussing with the

auditors any significant weaknesses detected in the development of the audit, concluding the level of confidence and reliability of the system, all without infringing on its independence. For this purpose, and where appropriate, it may submit recommendations or proposals to the Board of Directors and the appropriate time limit for follow-up.

The Head of the internal audit unit shall submit their annual work plan to the Audit Commission.

- f) Establish and oversee a mechanism that allows employees to communicate confidentially and, if possible and deemed appropriate, anonymously, any potentially significant irregularities that they notice within the Company, especially in financial and accounting matters.

#### Regarding oversight of risk management and control:

- g) Monitor the effectiveness of risk-management systems, both financial and non-financial (including operational, technological, legal, social, environmental, political and reputational), re-evaluating, at least annually, the list of most-significant risks, proposing any adjustments thereto to the Board, where applicable.

#### Regarding the Accounts Auditor:

- h) Send to the Board of Directors for submission to the General Shareholders' Meeting the proposals for the selection, appointment, re-appointment and replacement of the accounts auditor, taking responsibility for the selection process, in accordance with the provisions of the applicable regulations as well as the conditions for their hiring, and regularly collect information on the audit plan and its implementation.
- i) Establish appropriate relations with the external auditor to receive information on any issues that may pose a threat to their independence for consideration of the Commission, and any other information related to the process of auditing the accounts, and, where appropriate, the authorisation of services other than those prohibited under the terms of the applicable rules for the independence regime, as well as other communications set out in the account audit legislation and audit standards.

In any case, the external auditors shall provide them with an annual declaration of their independence with regard to the Company or entities directly or indirectly linked to it, as well as detailed and individualised information regarding additional services of any kind provided and the corresponding fees collected from these entities by the external auditor or by the persons or entities linked to it, in accordance with the provisions of the governing regulations on account audit activity.

- j) Issue an annual report, prior to the issuance of the account audit report, expressing an opinion on whether the accounts auditor's independence has been compromised. In any event, this report shall contain the reasoned assessment of each and every additional service provided as referred to in the previous paragraph, considered individually and as a whole, other than the legal audit and in relation to the independence regime or the governing regulations on account audit activity.
- k) Preserve the independence of the external auditor in exercising their functions and, in particular:
  - (i) should the auditor resign, examine the circumstances that may have led to this resignation;
  - (ii) ensure that the Company formally reports any change of auditor to the Spanish National Securities Market Commission accompanied by a statement regarding the existence or absence of disagreements with the outgoing auditor and, if applicable, the subject matter thereof;
  - (iii) ensure that the remuneration the external auditor receives for their work does not compromise their quality or independence; and

- (iv) ensure that the Company and the external auditor comply with existing rules on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other applicable rules to ensure the auditor's independence.
- l) Ensure that the external auditor has at least one annual meeting with the Board of Directors in full to inform them of the work executed and developments in the company's risk and accounting situation.

#### Regarding corporate governance and corporate social responsibility:

- m) Monitor compliance with the Company's corporate governance rules, internal codes of conduct and corporate social responsibility policy.

#### Other functions:

- n) Inform the Board of Directors, in advance, regarding all matters provided for by Law, in the Company Bylaws and the Regulations of the Board, and in particular:
  - (i) the creation or acquisition of holdings in special-purpose entities or entities with registered offices in countries or territories classified as tax havens;
  - (ii) related-party transactions; and
  - (iii) the economic conditions and accounting impact, and, where appropriate, the proposed exchange equation, of operations of structural and corporate modifications planned by the Company.

The Audit Commission shall meet at least four times per year and, in addition, as often as required in the interest of the Company in the opinion of its Chairman, at the request of the Board of Directors, its Chairman or any of the Commission's members.

### Article 14 Appointments and Remunerations Commission

The Board of Directors shall establish an Appointments and Remunerations Commission comprising a minimum of three and a maximum of five Directors, appointed by the Board of Directors from amongst the Non-Executive Directors, and at least two of them shall be Independent Directors.

The members of the Appointments and Remunerations Commission shall possess the relevant knowledge, skills and experience for the functions they are called to perform, without prejudice to ensuring the promotion of gender diversity and other diversity criteria for its members.

The Appointments and Remunerations Commission shall appoint the Chairman thereof from amongst the Independent Directors. As Secretary of the Appointments and Remunerations Commission, they may appoint the Secretary of the Board of Directors.

Without prejudice to other tasks assigned to it by the Board, the Appointments and Remunerations Commission shall, in any case, have the following functions:

#### Regarding the composition of the Board:

- a) Evaluating the required skills, knowledge and experience for the Board of Directors. For this purpose, it shall define the necessary functions and aptitudes for the candidates to fill each vacancy and shall evaluate the time and dedication required so they may effectively perform their functions, ensuring that the Non-Executive Directors have sufficient time available to correctly carry out their functions.

- b) Establishing a target representation number for the less represented gender on the Board of Directors and drawing up guidelines for achieving that target, proposing the diversity policy for Directors to the Board of Directors.
- c) Verifying the category of the Directors on an annual basis.

#### Regarding the selection of directors and members of the management team:

- d) Submitting to the Board of Directors proposals for the appointment of Independent Directors for appointment by co-optation or for submission to the decision of the General Shareholders' Meeting, as well as proposals for the re-appointment or removal of said Directors by the General Shareholders' Meeting.
- e) Reporting the appointment proposals of the remaining Directors for their designation by co-optation or for submission to the decision of the General Shareholders' Meeting, as well as proposals for their re-appointment or removal by the General Shareholders' Meeting.
- f) Reporting proposals for the appointment and removal members of the management team.
- g) Annually verifying compliance with the selection policy for Directors.

#### Regarding the roles of the Board:

- h) Announcing the appointment of the Chairman and Deputy Chairmen of the Board.
- i) Announcing the appointment and removal of the Secretary and Deputy Secretary of the Board.
- j) Examining and organising the succession of the Chairman of the Board of Directors and the CEO of the Company and, where appropriate, making proposals to the Board of Directors so that such succession takes place in an orderly and planned manner.

#### Regarding the remuneration of the directors and members of the management team:

- k) Proposing the remuneration policy for the Directors and the members of the management team to the Board of Directors, confirming their observance.
- l) Proposing the individual remuneration and the other contractual and statutory conditions of the Executive Directors to the Board of Directors, as well as proposing the basic terms of the contracts for members of the management team, all this in accordance with the current Company Bylaws and remuneration policy for directors at all times.
- m) Periodically reviewing the remuneration policy applied to the Directors and members of the management team, including the remuneration systems with shares and their application, as well as ensuring that their individual remuneration is in proportion to that which is paid to the Company's other Directors and members of the management team.
- n) Verifying the remuneration information of the Directors and members of the management team contained in the various corporate documents, including the Annual Report on the Remuneration of Directors.

#### Other functions:

- o) Participating in the annual evaluation of the Board concerning the functioning and composition of the Company's Board, Commissions and Directors.
- p) Ensuring that any conflicts of interest do not jeopardise the independence of external advice provided to the Commission.

The Appointments and Remunerations Commission shall meet at least three times per year and, in addition, as often as required in the interest of the Company in the opinion of its Chairman, at the request of the Board of Directors, its Chairman or any of the Commission's members.

## Chapter V      FUNCTIONING OF THE BOARD

### Article 15      Meetings of the Board of Directors

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Ordinarily, the Board of Directors shall meet on a monthly basis and at least quarterly. The Board of Directors shall also meet whenever necessary for the proper functioning of the Company, and when so ordered by the Chairman. In addition, Directors who constitute at least one third of the members may call meetings of the Board directly, stating the agenda of the meeting to be held in the location of the registered address if, after the request to the Chairman, the latter, without justified causes, fails to call the meeting within one month.

Without prejudice to the above paragraph, when the Chairman is considered the Executive Director of the Company, any Independent Director will be individually empowered to call that the Board convene or to include new items on the Agenda, to co-ordinate and highlight the concerns of the External Directors.

The calling of ordinary and extraordinary sessions shall be done by letter. It may also be carried out by fax, electronic or telematic means that provide proof of receipt. The call notice shall be authorised with the signature of the Chairman, or the person so delegated by order of the Chairman. The call shall be made at least fifteen days in advance. In any event, the Directors shall always have the right to submit matters which they deem appropriate during Board meetings, whether or not they appear on the meeting's Agenda.

Unless the Board was constituted or has been exceptionally convened for reasons of urgency, the Directors must have received, sufficiently in advance, the information necessary for the deliberation and adoption of agreements on the matters to be dealt with.

The extraordinary sessions of the Board shall not be subject to the advance notice period and other requirements set out in the preceding paragraphs when, in the opinion of the Chairman, the circumstances so justify.

### Article 16      Conducting meetings

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The Board shall be validly constituted when a majority of its members are present or represented at the meeting.

The Directors may delegate for each session and in writing to have any other Director represent them in said session for all purposes, and the same Director can hold several delegations. The representation shall contain the corresponding instructions and shall be communicated to the Chairman of the Board by any means that has proof of receipt.

Non-Executive Directors may only delegate their representation to another Non-Executive Director.

Board Meetings shall be held at the registered office or place indicated in the call notice.

In order to facilitate carrying out the oversight functions, the Company's Chief Executive Officer shall inform the Board of any circumstances deemed relevant to the progress of the Company.

The Chairman may invite to the sessions of the Board of Directors all those people who may contribute to improving the information of the Directors, preventing them from attending the decision-making stage of the meetings, recording in the minutes the entries and departures of guests for each session.

The Board's agreements shall be adopted, subject to legal exceptions, by an absolute majority of the Directors attending the meeting.

Voting in writing without a meeting being held will only be allowed when no Director objects to this procedure.

In addition, the Board of Directors may also meet in several places connected to each other by systems that allow the recognition and identification of the attendees, the ongoing communication between them and the intervention and issuance of the vote, all in real time. The attending Directors in any of the interconnected locations shall be considered as attendees to the same and only session of the Board of Directors. The meeting shall be understood to be held at the place where the Chairman or the person exercising their functions is located.

The discussions and agreements of the Board of Directors shall be recorded in a book of minutes, which shall be signed by the Chairman and the Secretary.

#### **Article 17**      **Use of telematic means**

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The Board of Directors shall promote, to the extent that the state of technology and legislation permit, the use of telematic means in its internal relations between Directors, in order to improve and expedite internal communication.

In this regard, and in accordance with Rule 15 of these Regulations, the calling of meetings of the Board or its Commissions, as well as other communications, may be carried out by fax, e-mail or other electronic or telematic means that provide a notification of receipt of the notice.

In particular, the Company shall make available to the Directors a specific computer application (the website of the Director) to facilitate the performance of their functions and powers of information, as well as their access to training materials for Directors.

The Board must ensure that appropriate security measures are taken.

### **Chapter VI**      **APPOINTMENT AND REMOVAL OF DIRECTORS**

#### **Article 18**      **Appointment of Directors**

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Directors shall be appointed by the General Meeting or the Board of Directors under the powers of co-optation legally attributed to them, as appropriate in accordance with the provisions contained in the Spanish Companies Act and in the Company Bylaws.

Being a Director requires having at least 5% of the Company's shares with the right to vote at least five years prior to appointment. These requirements will not be necessary in the appointment, re-appointment or ratification of Independent Directors nor when the appointment, re-appointment or ratification of Non-Independent Directors is carried out by the General Meeting with an attendance quorum of 25% of the subscribed share capital in the first call or without a minimum quorum in second call, and is approved—in both cases—by simple majority of the capital present or represented.

To be a member of the Board of Directors, it is necessary not to be subject to any of the statutory grounds for incompatibility or prohibition established by Law.

The proposal for the appointment or re-appointment of the members of the Board of Directors corresponds to the Appointments and Remunerations Commission in the case of Independent Directors, and to the Board itself in all other cases, upon prior report from the Appointments and Remunerations Commission.

In addition, the proposed appointment must, in any case, be accompanied by a supporting report from the Board assessing the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting or the Board of Directors itself.

The Board of Directors shall record its reasons when it departs from the recommendations of the Appointments and Remunerations Commission.

The Directors of the Company may not sit on the Board of Directors of more than three listed companies, in addition to that of Elecnor.

#### **Article 19**      **Re-appointment of Directors**

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The re-appointment of Directors shall be verified under established legal and statutory terms.

Proposals or reports, if any, from the Appointments and Remunerations Commission shall contain an assessment of the quality of the work and the dedication to the role of the proposed Directors during their previous mandate, as well as the honour, competence, availability and commitment to their role.

#### **Article 20**      **Duration of role**

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Directors shall serve for a term of four years, and may be re-appointed, once or several times, for periods of equal duration.

Without prejudice to the above paragraph, Directors who have an independent status may not remain as such for a continuous period of more than 12 years.

The appointment of Directors shall expire when, following expiry of the term, the next General Meeting has been held or the legal period has lapsed to hold the Meeting to resolve the approval of accounts for the previous financial year.

If vacancies occur during the term for which the Directors were appointed, the Board may designate people to occupy them until the first General Meeting is held following their appointment. Also, if the vacancy occurs after the General Meeting has been convened and before it is held, the Board of Directors may appoint a director until the next General Meeting.

#### **Article 21**      **Removal of Directors**

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Directors shall resign either voluntarily or when the period for which they were appointed has lapsed and when so decided by the General Meeting by virtue of the powers conferred to it by law or statute.

Without prejudice to the foregoing, Directors who are considered proprietary shall submit their resignation when the shareholder whom they represent sells their shareholding in full.

Directors must make their role available to the Board of Directors and, if it deems it appropriate, formalise the corresponding resignation in cases where they may harm the credit and reputation of the Company or in any way adversely affect the functioning of the Board of Directors or the Company and, in particular, when involved in any of the legally foreseen cases of incompatibility or prohibition.

The Board of Directors may only propose the removal of an Independent Director before the statutory deadline to the General Meeting when there is just cause, as assessed by the Board of Directors upon prior report from the Appointments and Remunerations Commission.

When a Director steps down from their role before the end of their term of office, due to resignation or otherwise, they must send a letter to all members of the Board of Directors explaining their reasons for stepping down.

## Chapter VII INFORMATION OF THE DIRECTOR

### Article 22 Powers of information and inspection

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In the performance of their functions, the Directors have the duty to demand and the right to obtain from the Company the appropriate and necessary information that serves to fulfil their obligations.

In this regard, the Directors are vested with the broadest powers to inquire about any aspect of the Company or its affiliated companies, whether national or foreign, and to examine their books, records, documents, reports or facilities.

Exercising the powers of information shall be channelled, with the assistance of the Secretary, through the Chairman, who will respond to the Director's requests by directly providing them with the information, offering them the appropriate contact people in the appropriate stratum of the organisation or by arbitrating the measures so that they can practise the appropriate "on-the-spot" examination and inspection procedures.

### Article 23 Expert advice

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In order to be advised on exercising their functions, Directors may request that the Company hire, at the latter's expense, legal, accounting, financial or other experts.

The task of such experts will be to address specific problems of a certain relevance and complexity that arise in carrying out the role.

The hiring decision shall be channelled through the Chairman of the Board of Directors, and shall be agreed upon by the Board of Directors, which may reject it if it considers that:

- a) it is not needed to fully exercise the functions entrusted to the Directors.
- b) its cost is not reasonable in light of the importance of the problem and the Company's assets or income.
- c) the technical assistance being sought can be adequately dispensed by the Company's experts and technicians.

## Chapter VIII DIRECTOR REMUNERATION

### Article 24 Director remuneration

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Management of the Company shall correspond to the Board of Directors.

The General Shareholders' Meeting shall determine and approve the maximum remuneration to be received as director remuneration for all items and for any duties they perform for the performance of both executive and non-executive functions. The maximum amount set by the General Meeting will remain in force as long as it does not approve the amendment thereof.

A. Director remuneration for the performance of non-executive functions.

For the performance of non-executive functions, all Directors shall receive as remuneration:

- (i) the maximum amount of 7% of the profits obtained by the consolidated group during the year, after the provision for the payment of taxes and requirements established by law for this purpose have been met, as well as,
- (ii) a fixed cash allowance to be determined by the General Meeting, and
- (iii) attendance allowances which, depending on the circumstances, are to be assigned as



compensation for attendance expenses and others that they must assume in the exercise of their roles and duties.

The Board of Directors shall be responsible for determining the annual remuneration amount, in accordance with the above items, and the distribution of the remuneration of each Director for the performance of non-executive functions.

B. Director remuneration for the performance of executive functions.

In addition to the remuneration they receive for the performance of non-executive functions, the directors who perform executive functions within the Company shall receive the remuneration established in their respective contracts for the following items:

- (i) A fixed remuneration in cash.
- (ii) Variable remuneration, calculated on qualitative or quantitative indicators or reference parameters, linked to the degree of compliance with their objectives (agreed by the Board of Directors at the proposal of the Appointments and Remunerations Commission).
- (iii) Remuneration based on the delivery of shares or option rights over shares of the Company itself.
- (iv) The following social benefits or payments in kind: (i) they will be included in the civil liability policy for executives and Directors that the Company has contracted at all times; (ii) they will continue to have the right to participate in social security systems (for coverage of their survival, illness, accidents etc.) in terms similar to those generally established at all times for the Company's executives; and (iii) likewise, the Executive Chairman will continue to enjoy all those benefits that, if applicable, the Company makes available to the executive group.
- (v) In addition to any compensations for termination of the contract, provided that the termination was not caused by breach of their duties as administrator.

These contracts must be previously approved by the Board of Directors at the proposal of the Appointments and Remunerations Commission, complying with the requirements established in applicable law.

In any case, the aggregate sum of all the resulting amounts to be received by all Directors and for any items in each financial year shall never be greater than the maximum amount approved by the General Meeting.

## Article 25 Transparency of remuneration

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The Board of Directors and the Appointments and Remunerations Commission shall adopt the necessary measures to ensure that the Company's Annual Report contains the remuneration figures of Directors for all items, including those derived from their capacity as part of the executive personnel.

The Annual Corporate Governance Report shall also mention the remuneration of the Board of Directors.

The Board of Directors shall draw up the remuneration policy for Directors, in accordance with the provisions of applicable law.

In addition, the Board of Directors shall annually draw up a Report on the Remuneration of the Directors in accordance with the terms established by applicable regulations.

**Chapter IX DUTIES OF THE DIRECTOR**

**Article 26 General obligations of the Director**

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In performing their functions, the Director shall perform the role and carry out functions imposed by Law and the Company Bylaws with the diligence of a professional business person and the loyalty of a faithful representative, and shall be diligently informed of the Company's progress and is obliged in particular to:

- a) Have the proper dedication and take the necessary measures for the good management and control of the Company.
- b) Adequately inform themselves and prepare the meetings of the Board and the bodies to which they belong.
- c) Attend meetings of the bodies to which they belong and to actively participate in the deliberations so that their approach effectively contributes to decision-making.
- d) Perform any specific tasks delegated to them by the Board of Directors and that is reasonably understood to be in their area of responsibility.
- e) Investigate any irregularities in the management of the Company which they may have come to know and monitor any situations of risk.
- f) Urge people with the capacity to call an extraordinary meeting of the Board to do so, or to have them include on the agenda of the first meeting to be held any items that they consider appropriate.
- g) Oppose agreements contrary to the Law, the Company Bylaws and other internal standards of the Company or corporate interests, and request that their position be recorded in the minutes when they consider it most suitable for protecting corporate interests.
- h) Not exercise their powers for purposes other than those for which they have been granted.
- i) Perform their functions under the principle of personal responsibility with freedom of opinion or judgement and independence with respect to instructions from and connection with third parties.
- j) Adopt the necessary measures to avoid incurring situations in which their interests, whether on their own account or otherwise, may conflict with corporate interests and with their duties towards the Company.

**Article 27 Duty of confidentiality**

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The Director, even after stepping down from their role, must keep secret information of a confidential nature, and is obliged to keep secret the information, data, reports and background that they know as a result of exercising their role, and the foregoing may not be communicated to third parties or be disclosed, except in cases where permitted or required by Law.

The Director shall also keep secret the deliberations of the Board and the delegated bodies and Commissions that they may belong to.

Exempt from the duty of confidentiality referred to in the preceding paragraphs are cases in which the law requires that such materials be communicated or disclosed to third parties or, where appropriate, are requested by or must be referred to the respective oversight authorities, in which case the transfer of information shall occur in accordance with the provisions of the law.

When the Director is a legal person, the duty of secrecy shall be vested in their representative, without prejudice to the representative fulfilling their obligation to inform the Director.

#### Article 28 Conflicts of interest

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Directors shall inform the Board of Directors of any situation of conflict, direct or indirect, they may have with the interest of the Company and shall abstain from participating in deliberations and voting on agreements relating to matters in which they have personal interests.

The personal interest of the Director shall also be considered to apply when the matter affects persons related to the administrators, whether they are natural or legal persons. Related persons will be considered as those who legally qualified as such.

Excluded from the Directors' obligation to abstain from deliberating and voting on matters in which they have personal interests are the agreements or decisions affecting them in their capacity as Directors, such as their appointment or dismissal for roles on the Board or others of a similar nature.

Likewise, the Director shall abstain from:

- a) Carrying out professional or commercial transactions, directly or indirectly, with the Company.
- b) Using the name of the Company or invoking their capacity as administrator to improperly influence how private operations are conducted.
- c) Obtaining advantages or remuneration from third parties other than the Company and its Group associated with the performance of their role, unless they are mere tokens of courtesy.
- d) Engaging in activities on their own account or on behalf of others that involve current or potential effective competition with the Company or that, in any other way, bring them into continuous conflict with the Company's interests.

The Company may exempt the Director from these prohibitions via an agreement adopted by the competent body under the terms established by Law.

The above provisions shall also apply in the event that the beneficiary is a person related to the Director.

In any case, situations involving a conflict of interest of the Company's administrators must be mentioned in the report.

#### Article 29 Use of corporate assets

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The Director shall not make use of the Company's assets, including confidential information, or use their position in the Company to gain an economic advantage.

The Company may exempt the Director from these prohibitions via an agreement adopted by the competent body according to current legislation.

The above provisions shall also apply in the event that the beneficiary is a person related to the Director.

#### Article 30 Non-public information

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Authorisation for the use of non-public information by the Director for private purposes shall only occur if the following conditions are met:

- a) such information does not apply in connection with the acquisition or sale of Company securities;
- b) its use does not cause any harm to the Company and;
- c) the Company does not have exclusive right or a legal position of a similar nature to the information that they wish to use.

In addition to the condition provided for under paragraph a) above, the Director shall observe the standards of conduct established in the securities market legislation and, in particular, those set forth in the Company's Internal Regulations of Conduct in matters related to Securities Markets.

The condition provided for under paragraph c) above can be supplemented by observing the rules contained in the subsequent article.

#### **Article 31 Business opportunities**

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No Director shall exploit the Company's business opportunities for their own benefit or for the benefit of people related to them. Related persons will be considered as those who legally qualified as such.

The Company may exempt the Director from these prohibitions via an agreement adopted by the competent body according to current legislation.

In any event, for the purposes of the preceding paragraph, a business opportunity is understood to mean any possibility of making a commercial investment or transaction that has come about or has been discovered in connection with the Director executing their role, or through the use of the Company's means and information, under such circumstances that it is reasonable to think that the offer of the third party was actually directed to the Company.

The above provisions shall also apply in the event that the beneficiary is a person related to the Director.

#### **Article 32 Indirect operations**

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The Director will have infringed upon their duties of loyalty to the Company if, with advanced knowledge, they permit or do not reveal the existence of operations carried out by their family members or by companies in which they carry out an executive role or have significant participation, that have not been subjected to the conditions and controls provided for in the previous articles.

#### **Article 33 Transactions with significant shareholders**

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Any relevant transaction between the Company and its significant shareholders shall be authorised by the Board of Directors.

Exempt from this approval are operations that simultaneously meet the following three characteristics:

1. they are carried out under contracts whose conditions are standardised and apply en masse to a large number of customers,
2. they are carried out at prices or rates generally established by the person acting as a supplier of the goods or services concerned, and
3. their value does not exceed one percent of the Company's annual income.

#### **Article 34 Principle of transparency**

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The Board of Directors shall reflect in the Annual Corporate Governance Report, amongst other matters, a summary of the relevant transactions carried out by the Company with its Directors and significant shareholders. The scope of the information will include the overall volume of transactions and the nature of the most relevant ones.

## Chapter X RELATIONS OF THE BOARD OF DIRECTORS

### Article 35 Relations with shareholders

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The Board of Directors shall provide the appropriate channels for any proposals made by shareholders in relation to the management of the Company.

The Board of Directors, through some of its Directors and with the co-operation of the members of the management team that it deems relevant, may organise briefings on the progress of the Company and its group for shareholders in the most relevant financial circles within Spain and other countries.

The Board of Directors shall promote the informed participation of shareholders in the General Meetings and shall take all appropriate measures to facilitate that the Shareholders' Meeting effectively exercise its own functions in accordance with the Law and Company Bylaws.

In particular, the Board of Directors shall take the following measures:

- a) Make available to shareholders, prior to the Board Meeting, the amount of information that is legally required and any information that, even if not required, may be of particular interest and reasonably provided.
- b) Respond, with the utmost diligence, to requests for information from shareholders prior to the Board Meeting.
- c) Address, with equal diligence, the enquiries of shareholders at the time the Board Meeting is held.

### Article 36 Relations with markets

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The Board of Directors shall inform the public immediately, and through its website, of:

- a) the relevant facts capable of having a significant impact in shaping stock prices;
- b) changes in the Company's ownership structure, such as significant changes in holdings, syndication agreements and other forms of coalition that it is aware of; and
- c) substantial amendments to the Company's governance rules.

The Board of Directors shall take the necessary measures to ensure that the half-yearly, quarterly and any other financial information that the Law requires be made available to the markets is drawn up in accordance with the same principles, criteria and professional practices with which the annual financial statements are drawn up, and that it feature the same level of reliability as said statements.

### Article 37 Relations with auditors

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The relations of the Board of Directors with the Company's External Auditors will be channelled through the Audit Commission.

The Board of Directors shall only contract the services of audit firms of recognised national and/or international standing.

The Board of Directors shall publicly report on the overall fees that the Company has paid to the Audit firm for various audit services.

