

**REGULATIONS OF THE**  
**BOARD OF DIRECTORS OF**

**JAZZTEL p.l.c.**

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**CHAPTER I. PRELIMINARY**

**Article 1.- Purpose**

1. The aim of these Regulations is to set out as a matter of good practice for the guidance of the Directors the principles of action of the Board of Directors of “JAZZTEL p.l.c.” (hereinafter, the “Company”), the basic rules of its organisation and functioning and the standards of conduct of its members.
2. The standards of conduct of the Company’s Directors, as set out in these Regulations, shall likewise apply to the senior managers the Company it and of other companies in which the Company directly or indirectly holds a controlling stake (hereinafter, the “Group”), who rank immediately below the Managing Director of the Company, to the extent that such standards are compatible with the specific nature of their posts. The Company shall be considered to hold a controlling stake when the Company directly or indirectly is the owner of more than 50% of a company.

**Article 2.- Interpretation**

These Regulations at all times remain subject to and shall be interpreted in accordance with the relevant provisions contained in the Companies Act 1985, as amended, and other applicable legislation and in the Company's Articles of Association.

**Article 3.- Amendment**

1. These Regulations (except when amended implicitly or explicitly by the shareholders) may be amended by the Board, who shall consider such modification whenever requested by the Chairman, the Vice-Chairman, any three Directors or the Audit Committee, all of which shall include with their modification proposal a report justifying the same.
2. Modification proposals shall be reviewed by the Audit Committee.

3. The proposal, the report from its authors justifying it and the report from the Audit Committee, if appropriate, should as a matter of good practice be included in the notice of the Board meeting in which the modification is to be considered.
4. In order to be valid, any modification to the Regulations shall be approved by the Board.

#### **Article 4.- Distribution**

1. Directors and senior managers coming within the scope of application of these Regulations by virtue of article 1.2 above, as a matter of good practice should ensure that they are familiar with their duties to the Company and also with these Regulations, are comply with them and ensure that they are complied with. For that purpose, at the moment in which they accept their respective appointments, or in which their recruitment takes effect, whichever might be the case, the Secretary to the Board shall provide them with a copy of these Regulations as well as with a copy of the Company's Article of Association.
2. The Board of Directors of the Company shall adopt the appropriate measures so that the Regulations are available on request for the inspection of the shareholders and the public.

#### **Article 5.- General function of the Board**

1. Except for those matters reserved for the General Meeting, the Board of Directors is the highest decision-taking body in the Company.
2. Pursuant to the provisions contained in article 101 of the Company's Articles of Association, the Board of Directors shall be competent for managing the affairs and businesses of the Company, being able to exercise for this all the powers that are not expressly reserved for the General Meeting by Law and by the Company's Articles of Association.
3. The guiding principle of the Board's action is to delegate the day-to-day management of the Company to the executive bodies and the management team, and to concentrate its activity on the general function of supervision.

Notwithstanding the powers that it has delegated to others, the Board shall nevertheless be informed of the most important affairs taking place as far as the Company is concerned and at all times the Directors must comply with their common law and statutory duties.

## **CHAPTER II. COMPOSITION OF THE BOARD**

### **Article 6.- Quantitative composition**

Pursuant to the provisions contained in the Company's Articles of Association, the Board of Directors shall be composed of a minimum of five (5) members and a maximum of (12) twelve members. The Company may by Ordinary Resolution from time to time vary the required number and / or maximum number of Directors.

### **Article 7.- Qualitative composition**

1. In the exercise of its powers to make proposals to the General Meeting and to appoint additional Directors for the purpose of filling vacancies or otherwise, the Board of Directors shall seek to ensure that the composition of the Board is such that non-executive Directors form a majority.

For this purpose, the Managing Director, as appropriate, and those who, under any other job category, fulfil managerial responsibilities within the Company, shall be regarded as executive Directors.

2. In the exercise of the above-referred powers the Board shall likewise seek to ensure that the majority group of non-executive Directors shall include both the holders or representatives of holders of major stable stakes in the capital of the Company (shareholder representative Directors) and persons of acknowledged standing who do not have any pre-existing ties with the Company, the director, the managerial team or with major shareholders and can be considered independent (independent Directors).

## **CHAPTER III. STRUCTURE OF THE BOARD OF DIRECTORS**

### **Article 8.- The Chairman of the Board**

1. The Chairman of the Board of Directors shall be elected from among its members in accordance with Article 90, of the Articles of Association.
2. The Chairman shall normally convene Board meetings, draw up the agenda for those meetings and lead the debates. Notwithstanding this, any of the Directors may convene Board Meetings, and the Secretary of the Board at the request of a Director shall summon a meeting.
3. In the case of a tie of votes, the Chairman of the meeting shall have a second or casting vote.

### **Article 9.- The Deputy-Chairman**

The Board may appoint a Deputy-Chairman in accordance with Article 90 of the Articles of Association, who shall stand in for the Chairman in the event of the latter's absence or inability to act.

### **Article 10.- The Secretary to the Board**

1. The Secretary to the Board shall be appointed in accordance with Article 107 of Article of Association. In order to be appointed Secretary to the Board of Directors, it is not necessary to be a Director.
2. The Secretary shall assist the Chairman in his tasks and he must attend to the satisfactory running of the Board, being particularly concerned with making sure that Directors receive the necessary advice and information, with looking after company documents, with duly recording the progress of Board meetings in the Minutes Book and with certifying corporate agreements as duly authorised.
3. The Secretary shall in all cases maintain under review the formal and material legality of the Board's actions and he shall ensure that its procedures and governing rules are respected.

**Article 11.- The Deputy-Secretary to the Board**

1. The Board of Directors may appoint one or more Deputy and/or Assistant Secretaries, who do not need to be Directors, so that they may assist the Secretary to the Board of Directors or stand in for him in the event that the latter is absent and unable to perform his functions.
2. Any such Deputy and/or Assistant Secretary shall be able to attend Board meetings in order to stand in for the Secretary or to aid the latter when the Board so decides.

**Article 12.- Executive Officers and Delegate bodies of the Board of Directors**

1. The Board of Directors under Article 77 of the Articles of Association may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of Chairman or Deputy Chairman) on such terms and for such period as they may (subject to the provisions of the Statutes) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke or vary the terms of any such appointment.
2. The Board of Directors under Article 98 of the Articles of Association may delegate any of their powers or discretions (including without prejudice to the generality of the foregoing all powers and discretions whose exercise involves or may involve the payment of remuneration to or the conferring of any other benefit on all or any of the Directors) to committees. Any such committee shall, unless the Directors otherwise resolve, have power to sub-delegate to sub-committees any of the powers or discretions delegated to it. Any such committee or sub-committee shall consist of one or more Directors and (if thought fit) one or more other named person or persons to be co-opted as hereinafter provided.
3. Insofar as any such power or discretion is delegated to a committee or sub-committee, any reference in the Articles to the exercise by the Directors of the power or discretion so delegated shall be read and construed as if it were a reference to the exercise thereof by such committee or sub-committee. Any

committee or sub-committee so formed shall in the exercise of the powers so delegated conform to any regulations which may from time to time be imposed by the Directors. Any such regulations may provide for or authorise the co-option to the committee or sub-committee of persons other than Directors and may provide for members who are not Directors to have voting rights as members of the committee or sub-committee but so that (a) the number of members who are not Directors shall be less than one-half of the total number of members of the committee or sub-committee and (b) no resolution of the committee or sub-committee shall be effective unless a majority of the members of the committee or sub-committee present throughout the meeting are Directors.

4. The meetings and proceedings of any such committee or sub-committee consisting of two or more persons shall be governed *mutatis mutandis* by the provisions of the Articles regulating the meetings and proceedings of the Directors, so far as the same are not superseded by any regulations made by the Directors under the preceding paragraph.
5. The Board of Directors shall appoint the following advisory committees made up exclusively of Directors:
  - an Audit Committee; and
  - an Appointment and Remuneration Committee.

These two Committees shall have powers of information, advice and proposal in the matters determined by the following articles. The power of the Committees to make proposals does not exclude the power of the Board to decide on these matters on its own initiative once it has obtained a report from the appropriate Committee.

#### **Article 13.- Audit Committee**

1. For so long as the ordinary and non-voting shares of the Company remain listed on the Spanish stock exchanges of Madrid, Barcelona, Valencia and Bilbao and on the Spanish Automated Quotation System, and the applicable Spanish rules so require, the Board of Directors shall create and maintain an Audit Committee

of the Board of Directors formed by not less 3 nor more than 5 Directors, of whom a majority must be non-executive Directors.

For the purposes of this Article, a Director will be deemed to be an executive Director if he holds a managerial position in the Company or in any subsidiary belonging to its group either under an employment relationship, a professional engagement or otherwise. The chairman of the Audit Committee shall be appointed among the non-executive Directors belonging to the Committee for a term not to exceed four years. The chairman of the Audit Committee may not offer himself for re-election until at least one year has elapsed since the expiry of his former office as chairman of the Audit Committee.

Without prejudice to any additional duties which may be entrusted to it by the Board of Directors, the Audit Committee shall perform at least the following duties:

- a) respond to questions posed by shareholders at general meetings in matters falling within the scope of his duties;
- b) issue proposals to the Board of Directors in respect of the auditors to be proposed for appointment by the Company in general meeting;
- c) oversight and supervision of the internal audit department (if any) of the Company;
- d) review of internal financial reporting and control systems and procedures; and
- e) communication with statutory auditors in respect of the audit of the Company's annual accounts or any circumstances which could jeopardise the independence of the auditors, as well as in relation to notices required to be served upon or received by the Company and its auditors in accordance with the applicable legislation on auditing.

The Audit Committee shall meet no less than two times a year and whenever it is summoned by any of its members on three days notice.

2. Any member of the management team or any employee of the Company shall, if so required, be obliged to attend meetings of the Committee, and he shall collaborate with it and provide access to the information that he has available. The Committee may also require the accounts auditors to attend its meetings.
3. For the better fulfilment of its functions, the Audit Committee shall be able to seek the advice of independent professionals, for which purpose the provisions provided in Article 24 herein shall apply.

**Article 14.- The Appointment and Remuneration Committee**

1. The Appointment and Remuneration Committee shall be composed of 3 Directors, at least 2 of whom must be non-executive Directors.
2. Notwithstanding the other tasks assigned to it by the Board, the Appointment and Remuneration Committee shall have the following basic responsibilities:
  - a) to formulate and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates;
  - b) to report on the proposals for the appointment of Directors so that the Board can proceed directly to their appointment, when appropriate, or otherwise for the Board to take on its proposals and pass them on for the decision of the General Meeting;
  - c) to report on the appointment of Secretary and Vice-Secretary to the Board of Directors;
  - d) to propose the members who are to form part of each Committee of the Board;
  - e) to report on the system and annual remuneration of Directors and Secretaries;
  - f) to report on the appointment or dismissal of executive officers coming immediately under the Managing Director;

- g) to report on the remuneration system for executive officers;
  - h) to report on the appointment of persons who are going to represent the Company on the Boards of Directors of the most important wholly or partly owned companies that the Board decides;
  - i) to report on any transactions that entails or might entail conflicts of interest, major transactions with major shareholders and, in general, on the matters considered in CHAPTER VIII herein.
3. Requests for information to the Appointment and Remuneration Committee shall be formulated by the Board of Directors or its Chairman. Likewise, the Committee must consider any suggestions put to it by the Chairman, members of the Board, Company's executive officers or shareholders.
4. The Appointment and Remuneration Committee shall meet whenever it is convened by its Chairman, who must do so whenever the Board or the Chairman of the Board so requests, and in all cases whenever it is advisable for the satisfactory undertaking of its functions.

#### **CHAPTER IV. FUNCTIONING OF THE BOARD**

##### **Article 15.- Board meetings**

- 1 Subject to the provisions of the Articles of Association, the Directors may meet together for the despatch of business, adjourn and otherwise regulate their proceedings as they think fit. At any time any Director may, and the Secretary at the request of a Director shall, summon a meeting of the Directors on 3 days' notice. The Board of Directors shall ordinarily seek to meet every month.
2. Notice of a board meeting shall be deemed to be properly given if given to a Director personally or sent in writing to him at his last main address given by him to the Company for this purpose. Any Director may waive notice of any meeting and any such waiver may be retroactive.

3. The Board shall draw up an annual timetable of ordinary meetings. The Board should spend at least one meeting a year on assessing its functioning and the quality of its work.

#### **Article 16.- Conducting of the meetings**

1. A meeting of the Board shall be quorate when it is attended by at least half of its members, whether present or by the appointment of an alternate. The Directors, and any committee of the Directors, shall be deemed to meet together if, being in separate locations, they are nonetheless linked by conference telephone or other communication equipment which allows those participating to hear and speak to each other.

Directors shall do everything possible to make sure that they attend Board meetings, and when they cannot do so in person, they shall endeavour to appoint an alternate under the provisions of Article 107 of the Articles of Association and provide such alternate with appropriate voting instructions.

2. The Chairman shall organise the debate on the basis of trying to get all Directors to participate in the Board's discussions.

At Meetings each Director shall have one vote.

3. Questions arising at any meeting of the Directors shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### **CHAPTER V. APPOINTMENT AND RESIGNATION OF DIRECTORS**

#### **Article 17.- Appointment of Directors**

1. Directors shall be appointed by the General Meeting or by the Board of Directors in conformity with the provisions contained in the Company's Articles of Association and in the Law.
2. Proposals for the appointment of Directors that the Board of Directors submits for the consideration of the General Meeting, and the appointment decisions that

the Board adopts by virtue of the powers attributed to it in article 85 of the Company's Articles of Association, must be preceded by the appropriate proposal report from the Appointment and Remuneration Committee.

When the Board rejects the recommendations made by the Appointment and Remuneration Committee, it must state the reasons for its rejection and record its reasons in the Minutes of the meeting.

#### **Article 18.- Appointment of Directors**

1. Within the scope of their competencies, the Board of Directors and the Appointment and Remuneration Committee shall seek to ensure that the election of candidates is made from among persons of acknowledged soundness, competence and experience, and they must exercise the utmost rigour in relation to those candidates elected to fill the posts of independent Director provided for in Article 7.- 2 herein.
2. The Board of Directors may not propose or appoint anyone for filling a post of independent Director if that person holds an executive position in the Company or is linked for family or any other reasons with any Director or other senior manager or executive officer of the Company, or is connected to, a significant shareholder in the Company.

#### **Article 19.- Re-election of Directors**

Proposals for re-election of Directors that the Board of Directors is entitled to submit to the General Meeting under Articles 79 to 87 of the Articles of Association must be subject to a formal process of being drawn up, an essential part of which shall be the issuing of a report from the Appointment and Remuneration Committee.

#### **Article 20.- Duration of the post**

1. At each Annual General Meeting:
  - (a) any Director who was elected or last re-elected a Director at or before the Annual General Meeting held in the third calendar year before the current year shall retire by rotation; and

- (b) such further Directors (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Directors in office at the date of the notice of meeting (or, if their number is not a multiple of three, the number nearest to but not greater than one-third).
2. Directors appointed by the Board itself shall hold office only until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

**Article 21.- Resignation of Directors**

1. Directors shall cease to hold their post under the provisions of Articles 79 to 87 of the Articles of Association and when so decided by the General Meeting of Shareholders or the Board of Directors in the exercise of the authorities conferred to them by Law or otherwise by the Company's Articles of Association.

**Article 22.- Objectivity and secrecy of voting**

1. Pursuant to the provisions contained in Article 30 herein and in particular Article 97 of the Articles of Association, Directors who are the subject of appointment, re-election or resignation shall abstain from intervening in the discussions and voting held concerning them.
2. All voting held by the Board of Directors concerning the appointment, re-election or resignation of Directors shall be by ballot.

## **CHAPTER VI. DIRECTORS' INFORMATION**

### **Article 23.- Right of information**

1. Directors shall freely request information from those senior managers of the Company coming immediately under the Managing Director as appropriate. Directors shall likewise request, via the Chairman, the Vice-Chairman, the Managing Director or the Secretary to the Board, any information that they might consider appropriate concerning the Company. The right of information extends to companies in the Group, whether they are Spanish or foreign.
2. The Chairman, Vice-Chairman, Managing Director or Secretary to the Board of Directors shall attend to requests made by Directors, either furnishing them with the information directly or informing them of the appropriate person to turn to within the Group.

### **Article 24.- Expert assistance**

1. So that they can be assisted in the performance of their duties, non-executive Directors can request that legal advisers, accountants and financial or other experts be taken on at the Company's expense.

Such recruitment must necessarily concern specific problems of a certain import and complexity that have arisen during the course of the Director exercising his post.

2. The request to take on independent advisers has to be brought before the Board of the Company, who can reject the request if, in its opinion:
  - a) it is not necessary for the proper fulfilment of the functions entrusted to the non-executive Directors;
  - b) its cost is unreasonable in view of the importance of the problem and the Company's assets and income; or
  - c) the technical assistance that is sought can be adequately obtained from experts and technicians within the Company.

## **CHAPTER VII. DIRECTORS' REMUNERATION**

### **Article 25.- Directors' remuneration**

1. A directors shall be reimbursed for all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or shareholders' meeting or otherwise in connection with the business of the Company.
2. Directors shall also receive directors' fees from the Company under the terms agreed by the Board of Directors within the limits set by the General Meeting in Article 73 of the Company's Articles of Association, which provides that the aggregate remuneration of the Board of Directors may not exceed £500,000 per annum, or such higher amount as may from time to time be determined by Ordinary Resolution of the Company.
3. The remuneration for the various Directors shall be able to differ depending on the services they perform on the Committees of the Board. It shall fall to the Board to set, in all cases respecting the limits established by the General Meeting, the exact remuneration that each Director must receive and the individual remuneration of the various Directors.
4. The remuneration provided for in this article shall be compatible and independent of salaries, remuneration, compensation, pensions, share options or any other kind of consideration established in general or individually for those members of the Board of Directors who perform executive duties, whatever might be the nature of their relation with the Company, be it labour – common labour relation or special senior management relation – mercantile, or that of rendering of services, all these relations being compatible with the status of member of the Board of Directors.
5. In accordance with the provisions of Article 137 of the Articles of Association the Company shall have the power to purchase and maintain insurance for its Directors.

## **CHAPTER VIII. DIRECTORS' DUTIES**

### **Article 26.- General obligations on Directors**

In the performing of his functions, a Director shall at all times comply with all statutory duties, fiduciary duties and the duty of skill and care, being obliged in particular to:

- a) Inform himself of and adequately prepare himself for Board meetings and meetings of the delegate bodies to which he belongs;
- b) Attend meetings of the committees to which he belongs and to participate actively in the discussions so that his opinions can make an effective contribution to the decision taking process.

Should any Director be unable for justifiable reasons to attend a meeting to which he has been summoned, he shall endeavour to appoint another Director as his alternate and provide such director with appropriate voting instructions.

- c) Carry out whatsoever specific tasks commissioned to him by the Board of Directors and which reasonably come within the scope of his commitment to devote himself to the Company.
- d) Convene whenever he considers necessary or desirable a meeting of the Board or include in the agenda of the next such meeting to be held those matters that he considers advisable.

### **Article 27.- The Director's duty concerning confidentiality**

1. A Director shall maintain secrecy concerning the discussions of the Board of Directors and of the delegate bodies of which he forms part, and he shall in general abstain from revealing any information to which he has had access during the exercise of his post.
2. The obligation concerning confidentiality shall remain even after he has resigned from his post.

### **Article 28.- Obligation of non-competition**

1. A Director may not be a Director in a competing company. An exception is made of those posts that can be held in Group Companies or in the representation of the Group.
2. A Director may not render representation or advisory services in favour of competitor firms of the Company or of companies in its Group, unless he informs the Board of this and obtains its authorisation, with a prior report from the Appointment and Remuneration Committee.

### **Article 29.- The Director's duties concerning information**

1. Directors must inform the Company of any shares that they are holders of, in conformity with the provisions contained in the Company's *Internal Rules of Conduct in matters relating to Stock Markets* and any applicable legislation.
2. Directors must inform the Company of any other administrative or senior management posts or directorships that they hold in other non-competing companies.

### **Article 30.- Conflicts of interest**

1. A director must refrain from putting himself in a position where there is an actual or potential conflict between his duty to the Company and his personal interests. In that regard, Directors as a matter of general principle should seek to inform the Company duly in advance of any situation that might imply a conflict of interests with the Company or companies in its Group and in general should seek to refrain from attending and taking part in discussions concerning matters in which he could have a personal interest.
2. Directors' interests in particular cases shall be regulated by the Law and by the provisions of Articles 95 to 97 of the Articles of Association.

### **Article 31.- Use of corporate assets**

1. The Directors as a matter of good practice and subject to the Law agree that they shall not make use of the assets of the Company or of the Group, nor exploit

their position in the Company in order to obtain a financial advantage, unless they have paid an appropriate sum by way of consideration.

2. A Director may exceptionally be exempted from paying a sum by way of consideration, but in this case the Directors agree that the financial advantage shall be considered as being an indirect remuneration and it must be authorised by the Board with a prior report from the Appointment and Remuneration Committee.

### **Article 32.- Exploitation of business opportunities**

1. For the purposes of this section, exploitation of business opportunities of the Company or of the Group is understood as being any possibility of making an investment or carrying out a commercial operation of interest for the Company or the Group of which a Director has had knowledge in the exercise of his post, or by using the Company's means and information, and that this deprives the latter of any possibility of doing so.
2. The Directors as a matter of good practice and subject to the Law agree that they may only exploit a business opportunity of the Company for their own benefit if they have first offered it to the Company and the latter has waived its intention of exploiting it, and provided that the exploitation is authorised by the Board with a prior report from the Appointment and Remuneration Committee.

### **Article 33.- Non-public information**

1. The use by Directors of non-public information on the Company for private ends shall as a matter of good practice and subject to applicable law only be carried out if the following conditions are met:
  - a) that the information is not applied in connection with operations concerning the purchase or sale of Company securities;
  - b) that its use is in no way harmful to the Company; and
  - c) that the Company does not hold any exclusive right or similar legal position in the information that it is wished to use.

3. Complementary to the conditions provided for in paragraph a) above, Directors must observe the standards of conduct contained in stock market legislation, and in particular those set down in the Company's *Internal Rules of Conduct in matters relating to Stock Markets* and any applicable legislation.

#### **Article 34.- Indirect operations**

The Directors as a matter of good practice agree to ensure that the obligations contained in the above articles, particularly those referring to the obligations concerning non-competition, information on the purchase of Company shares, conflicts of interest and business opportunities, shall apply to themselves directly as Directors as well as to persons related to them or to companies whose assets are controlled by them or in which they hold a managerial post.

#### **Article 35.- Transactions with major shareholders**

1. The Board of Directors shall at all times comply with the law and their duties as Directors in relation to any transaction of the Company or of the Group with a major shareholder.
2. In no case where the Board has discretion to do so shall it authorise a transaction without any report from the Appointment and Remuneration Committee having previously been issued assessing the operation from the point of view of equality of treatment for shareholders and of market conditions.

#### **Article 36.- Principle of transparency**

In its annual public information, the Board of Directors shall include a summary of the transactions conducted by the Company or Group with their Directors and major shareholders. The information shall state the overall volume of the operations and the nature of the most important ones.

## **CHAPTER IX. DIRECTORS' RELATIONS**

### **Article 37.- Relations with shareholders**

1. The Board, by means of any of its Directors and with the collaboration of the members of the senior management that it considers relevant, shall be able to organise informative meetings on the progress of the Company and of its Group.
2. Public requests for the delegating of votes made by Board of Directors or by any of its members must justify the way in which the representative is to vote in the event that the shareholder has not given any instructions in this regard.
3. The Board of Directors shall encourage shareholders to participate in General Meetings and it shall adopt any measures that are appropriate so that the General Meeting of Shareholders can effectively exercise the functions proper to it pursuant to the Law and to the Company's Articles of Association.

In particular, the Board of Directors shall establish the necessary mechanisms for:

- a) Placing the legally required information at the disposal of shareholders prior to the General Meeting.
- b) Attending to requests for information made by shareholders prior to the General Meeting.
- c) Answering questions put by shareholders while the General Meeting is being held.

### **Article 38.- Relations with institutional shareholders**

1. The Board of Directors shall likewise establish suitable mechanisms for the regular exchange of information with institutional investors forming part of the Company's body of shareholders.
2. In no case may relations between the Board of Directors and institutional shareholders lead to information being provided for the latter that could place

them in a situation of privilege or advantage with respect to the other shareholders.

**Article 39.- Relations with the markets**

1. The Board of Directors shall establish the necessary mechanisms for reporting on:
  - a) relevant facts that could appreciably influence the level of share prices and the prices of other quoted stocks issued by the Company;
  - b) changes in the ownership structure of the Company, such as variations in major stakes, syndicate agreements and other forms of coalition of which it has had knowledge;
  - c) substantial modifications to the governing rules of the Company;
  - d) policies on acquisition of own shares that the Company proposes to carry out according to the Law and the Company's Articles of Association.
2. The Board of Directors shall ensure that financial information of a half-yearly or quarterly nature, or any other financial information that ought be placed at the disposal of the markets according to the principle of prudence, shall be drawn up following the same principles, criteria and professional practice with which the annual accounts are prepared and that they enjoy the same degree of reliability as the latter.
3. In its annual public documents the Board of Directors shall include information on the governing rules of the Company and the degree of compliance with these Regulations.

**Article 40.- Relations with the auditors**

1. The relations of the Board with the auditors of the Company shall be channelled via the Audit Committee.

2. The Board of Directors shall refrain from contracting audit firms whose fees that are expected to be paid, for all items, amount to more than five percent of such audit firms' total income during the last financial year.
3. The Board of Directors shall make public the overall fees paid by the Company to the audit firm for services others than auditing.
4. The Board of Directors shall seek to draw up the final accounts in such a manner that there are no reservations made by the auditors. Nevertheless, when the Board considers that it has to stand by its opinion, it shall publicly explain the content and scope of the disagreement.

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Christoph Schmid

Company Secretary