



REPORT DRAWN UP BY THE BOARD OF DIRECTORS OF THE COMPANY
DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. ON
JUSTIFICATION OF THE PROPOSED AMENDMENT OF THE BOARD OF
DIRECTORS REGULATION

I. Object of the Report

This report is made by the Board of Directors of Distribuidora Internacional de Alimentación, S.A. (hereinafter, the “**Company**” or “**DIA**”) in accordance with article 4.2 of the Board of Directors Regulation to justify the proposals for the modification of the Board of Directors Regulation which are to be submitted for approval to the Board of Directors, as proposed by the Nominating and Compensation Committee of the Company.

II. Structure of the proposal

In order to facilitate the comparison of the current wording of the articles whose modification is proposed with the new wording, Annex I of this report contains a comparative version of both texts, for information purposes. Likewise, and in order to provide an overview of the modifications proposed and the new texts to be introduced into the Board of Directors Regulation, if approved, attached as Annex II hereto is the new text of the Board of Directors Regulation of the Company that will be subject to approval by the Board of Directors of the Company, which already incorporates the amendments proposed.

III. General justification for the proposal

The modification of the Board of Directors Regulation, which its approval, according with its article 4.3, is proposed to the Board of Directors of the Company and is structured around three basic pillars:

- (i) to endow the Board of Directors with greater flexibility in internal organisation terms;
- (ii) the incorporation of regulatory changes introduced as a result of the entry into force, on 2 October 2011, of Law 25/2011, of 1 August, which partially reformed the Capital Companies Act and the incorporation of Directive 2007/36/EC, of the European Parliament and the Council, of 11 July, on the exercise of certain rights by shareholders of listed companies (hereinafter, “**Law 25/2011**”); and other legislative novelties; and
- (iii) to introduce technical improvements in the drafting of the texts for which an amendment is proposed, in order to clarify their meaning and facilitate their understanding.

It should be noted that the modification of the Board of Directors Regulation which are the subject of this report form part of the context of a project to reform the internal regulations

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for the corporate governance of the Company which includes, as well as the modification of the Board of Directors Regulation, reforms to the Articles of Association and the Regulations of the General Meeting whose purpose is to guarantee the coherence of said internal documentation as a whole.

Therefore, the modification of the articles of the Board of Directors Regulation is subject to the prior approval by the General Shareholders Meeting of the Articles of Association modifications from which derive.

IV. Detailed justification of the proposal

Having explained the general lines of the reforms, the proposed modifications are explained in greater detail below:

1. Proposed amendment of Article 15 (“Board meetings”)

It is proposed to amend section one of this article, related to the number of meetings of the Board of Directors in order to endow this body with greater flexibility in its internal organisation, thereby allowing the Board itself to be able to determine the number of times it needs to convene in order to develop its functions correctly by yearly determining a schedule of its meetings, but with at least one meeting per quarter and without prejudice of any other meetings that may be called since the Chairperson of the Board of Directors considers them convenient.

Furthermore, it is proposed to include a new section in order to include the new provision of Article 246.2 of the current Capital Stock Companies Act, as amended by Act 25/2011, whereby *any directors representing at least one third of the Board members may call a Board meeting, indicating the agenda, to be held at the place where the registered address is located if, further to the chairman’s request, the latter has not called the meeting within a one-month term without justified cause.*

2. Proposed amendment of Article 40 (“Website”) of the Board of Directors Regulation

In order to include in the Board of Directors Regulation of the Company the new provision gathered in Article 11.bis of the Capital Stock Companies Act, as amended by RD Law 9/2012, which entitles the Company’s management body to agree on the removal and transfer of the Company’s website, it is proposed to include a new paragraph, as section three of this article. Furthermore, it is included in this article the corporate website of the Company (www.diacorporate.com) and a clarification of its wording.

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3. Proposed amendment of article 5 (“Authority of board of directors”), 17 (“Conduct of meetings and adoption of resolutions”), 19 (“Appointment of outside directors”), 35 (“Relationships with outside auditor”) and 37 (“Audit and compliance committee”) of the Board of Directors Regulation

In order to update, perfect, correct and clarify the wording of the Board of Directors Regulation of the Company, slight changes are proposed in the current terms of the foregoing articles (most of them format and wording modifications to adapt them to the legal wording with no material effect to its content).

* * *

Madrid, 9 May 2012

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ANNEX I

**TEXT OF THE REGULATIONS OF THE BOARD OF DIRECTORS
REGULATION WITH THE AMENDMENTS HIGHLIGHTED**



**BOARD OF DIRECTORS
REGULATION OF
DISTRIBUIDORA
INTERNACIONAL DE
ALIMENTACIÓN, S.A.**

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TITLE I. PRELIMINARY

Article 1. Purpose

1. This regulation is approved by the board of directors of Distribuidora Internacional de Alimentación, S.A. (the "**Company**"), in compliance with the provisions of Article 516 of Royal Legislative Decree 1/2010 of 2 July 2010, approving the recast text of the Capital Companies Act.
2. The purpose of this regulation is to specify the principles for actions of the board of directors, the basic rules of its organisation and functioning and the rules of conduct for its members. The regulation seeks to achieve the greatest transparency, effectiveness, motivation, supervision and control regarding the board's functions of management and representation of the corporate interests, in accordance with the principles and recommendations regarding corporate governance of listed companies.

Article 2. Scope of application

1. This regulation applies to the directors of the Company (the "**directors**") and, to the extent consistent with their specific nature and the activities they perform, the members of the Company's management team. The "**management team**" for purposes of this regulation is the managers reporting directly to the board of directors of the Company, to the managing director and, if applicable, to the executive committee or chief executive of the Company.
2. The persons to which this regulation applies will be required to know it, comply with it and cause compliance with it. To that end, the secretary of the board will provide all members with a copy hereof, without prejudice to publication hereof on the Company's website.

Article 3. Priority and interpretation

1. This regulation develops and completes the legal and articles rules applicable to the board of directors.
2. This regulation will be interpreted in accordance with the principle of hierarchy of regulations, and in accordance with the legal and articles rules that are applicable, as well as the principles and recommendations regarding corporate governance for listed companies.
3. The board of directors, after a report from the audit and compliance committee, will resolve such doubts or differences as may arise in application or interpretation of this Regulation.

Article 4. Distribution and amendment

1. The board of directors will adopt the measures necessary to distribute this regulation among the shareholders and the general investing public. In particular, and without prejudice to other possible measures, the regulation will be notified to the National Securities Market Commission, attaching a copy of the document comprising it, and will

be registered in the Commercial Register. Also, the regulation will be available on the Company's website.

2. The regulation may be amended on proposal of the chairman, three directors, the nominating and compensation committee or the audit and compliance committee. Proposals for amendment must be accompanied by a justifying memorandum and reviewed and reported on by the nominating and compensation committee, except when the proposal is made by the latter. The text of the proposal, the justifying memorandum and, if applicable, the report of the nominating and compensation committee must be attached to the board of directors meeting that is to consider it, on the agenda of which it must expressly appear.
3. Amendment of the regulation must be approved by resolution adopted by simple majority of the members of the board of directors, provided that the favourable vote of the majority of the independent directors is also obtained.

TITLE II. BOARD MISSION

Article 5. Authority of board of directors

1. The board of directors has authority to adopt resolutions regarding all kinds of matters not attributed by law or the articles of association to the general meeting.
2. The board of directors has the broadest power and authority to manage, direct, and represent the Company. As a general rule it entrusts ordinary management of the Company to the delegated administrative bodies, and concentrates its actions on the general function of supervision and on consideration of those matters that are of particular importance to the Company.
3. Judicial and other representation of the Company will correspond to the board of directors, its chairman, the managing director and, if applicable, the executive committee.
4. In any event, the board will assume, without delegation, such authority as is legally reserved directly to it, and such other authority as may be necessary for effective exercise of the general supervision function. In particular, by way of illustration and not limitation, the following are non-delegable powers of the board:
 - (a) approval of the general policies and strategies of the Company and the organisation necessary to implement them including, inter alia, the following:
 - (i) the strategic or business plan, as well as annual management objectives and budget;
 - (ii) the investment and financing policy;
 - (iii) the structure of the corporate group and the coordination, within the legal limits, of the general strategy of the group in the interest of the Company and the companies comprising it;

- (iv) the corporate governance policy;
 - (v) the corporate social responsibility policy;
 - (vi) the policy for compensation and evaluation of the performance of the management team;
 - (vii) the policy for control and management of risk, identifying the principal risks of the Company and organising the appropriate internal control and reporting systems;
 - (viii) setting the bases for the corporate organisation, in order to assure greater efficiency thereof and effective supervision by the board of directors;
 - (ix) setting and implementing the dividend and treasury share policies, within the framework of the authorisations of the general meeting.
- (b) approval of the following operating decisions:
- (i) call of the general meeting of shareholders;
 - (ii) appointment of directors by way of co-option and referring proposals to the general meeting regarding appointment, ratification, re-election and removal of directors, as well as acceptance of director resignations;
 - (iii) appointment and renewal of those in the internal positions within the board of directors, and the members of and positions on committees constituted within the board;
 - (iv) delegation of authority to any of its members, on the terms established by law and the articles, and revocation thereof;
 - (v) appointment and possible removal of the chief executive of the Company and, on its proposal, of the management team as well as indemnification clauses related thereto;
 - (vi) preparation of the financial statements, management report and proposal for application of profits of the Company, as well as the consolidated financial statements and management report, and the other periodic financial information that must be sent to the market supervisory authorities;
 - (vii) preparation of the annual corporate governance report to be presented to the general meeting and the other reports and documents that must be submitted to it;
 - (viii) approval of amendment of the board of directors regulation;
 - (ix) proposal to the general shareholders meeting of the Company of the amendments to the regulation of the general shareholders meeting it deems to be appropriate to ensure exercise of shareholders' rights of participation;

- (x) fixing, in accordance with the articles of association and within the limits established thereby, the compensation policy and the compensation of directors, on proposal of the nominating and compensation committee.
 - (xi) fixing, in the case of inside directors, any additional consideration for their management duties and other terms of their contracts;
 - (xii) the establishment of strategic alliances with industrial, commercial or financial groups, domestic or foreign;
 - (xiii) investments, divestitures or transactions of all kinds (including financing transactions) that, by reason of their high amount or special characteristics, are of a strategic nature, including industrial, commercial and financial transactions of particular importance, unless (i) they have been approved in the annual budget, or (ii) approval thereof corresponds to the general meeting;
 - (xiv) the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature the complexity of which might impair the transparency of the group, after a report from the audit and compliance committee; and
- (c) approval, after a favourable report from the audit and compliance committee, of transactions the Company enters into with directors, significant shareholders or those having representatives on the board, or with persons related to them ("**related party transactions**").

Nonetheless, transactions that simultaneously satisfy the three (3) following conditions will not require board authorisation:

- (i) they are governed by standard form adhesion contracts applied on an across-the-board basis to a large number of customers;
 - (ii) they are entered into at market prices or rates, generally fixed by the person supplying the goods or services; and
 - (iii) the amount of the transaction is not in excess of one percent (1%) of the consolidated annual revenue of the group of which the Company is the parent.
5. Notwithstanding the foregoing, the authority referred to in (b) and (c) may for reasons of urgency be adopted by the managing director or executive committee, if any, under the delegation granted, requiring subsequent submission for ratification of the full board.
6. The board, as the one responsible for the corporate governance policy, once each year will evaluate the quality and efficiency of the functioning of the board, the performance of their duties by the chairman of the board and the chief executive of the Company, as well as the functioning of its committees, based on the reports presented by them.

Article 6. Corporate interest

1. The board of directors at all times will exercise its authority in the interest of the Company, that being understood to be the common interest of the shareholders, albeit at the same time considering the other legitimate interests, public or private, involved in the conduct of any business activity, particularly those of workers, among other stakeholders. In this regard, the actions of the board of directors and its delegated bodies at all times will be aimed at maximising the economic value of the Company on a sustained basis.
2. Also, the board of directors will see to it that, in its relationships with stakeholders, the Company respects the laws and regulations, fulfils its obligations and contracts in good faith, respects the uses and best practices of the sectors and areas in which it conducts business, and observes such additional principles of social responsibility as it may have voluntarily accepted.

TITLE III. BOARD COMPOSITION

Article 7. Number of directors

1. The board of directors will be comprised of the number of directors determined by the general meeting within the limits set by the Company's articles.
2. The general shareholders meeting determines the number of directors. The general meeting may fix that number by express resolution or, indirectly, by resolutions filling vacancies and appointing new directors adopted within the aforesaid maximum and minimum.
3. The board will propose to the general meeting such number of directors as, based on the circumstances existing from time to time, is most appropriate to ensure proper representation and effective functioning of the board.

Article 8. Classes of directors

1. Deemed to be
 - (a) inside directors are those directors who are senior managers or employees of the company or its group. For these purposes, those treated as inside directors are the chairman, if he has delegated management functions, the managing director, if any, and those that in any other way have management responsibilities within the Company or any of its subsidiaries;
 - (b) proprietary outside directors are the directors who hold a shareholding interest not less than the legally determined threshold for significant holdings, or are otherwise appointed due to their status as shareholders, and the persons the appointment of which is proposed by such shareholders;
 - (c) independent outside directors are those directors appointed for their personal or professional qualities who are in a position to perform their duties without being influenced by any connection with the Company, its significant shareholders or its management, and satisfy the legal requirements and conditions imposed for that purpose;

- (d) other outside directors are the outside directors that cannot be classified as proprietary or independent.
2. The category of each director will be explained by the board of directors to the general shareholders meeting, which must make or ratify the director's appointment. Such categorisation will be confirmed or revised annually in the annual corporate governance report, after verification by the nominating and compensation committee.

Article 9. Composition of Board of Directors

1. The board of directors, in the exercise of its authority to propose to the general meeting and its co-option authority to fill vacancies, will see to it that in this body outside directors represent a broad majority of the board and, in particular, the number of independent directors represents at least one third of the total number of directors.
2. The board will also see to it that, among outside directors, the ratio of proprietary directors to independent directors reflects the ratio of the capital of the Company represented by proprietary directors and the remainder of capital.
3. The rule of strict proportionality between the proprietary and independent directors may be relaxed, in such manner that the former are greater in number than would be applicable based on the total percentage of capital they represent, if within the Company (i) few or no share interests reach the legal threshold for significant shareholdings, despite the considerable sums actually invested, or (ii) there is a plurality of shareholders represented on the board but not otherwise related.
4. If the board of directors appoints or proposes the appointment of proprietary directors on request of shareholders whose shareholdings are less than five percent, it must explain the reasons for doing so in the annual corporate governance report. Similarly, it must state the reasons for not honouring formal requests, if any, for representation on the board from shareholders whose shareholdings are not less than others on the request of which proprietary directors have been appointed.

TITLE IV. STRUCTURE OF BOARD OF DIRECTORS

Article 10. Chairman of the board

1. The chairman of the board of directors will be elected from among its members, and will have the authority contemplated by law, in the articles of association and in this regulation, and such authority, if any, as may be given thereto by the board itself.
2. In particular, the chairman has the following powers:
 - (a) the ordinary power to call the board of directors, establish the agenda and chair its meetings;
 - (b) to preside at the general shareholders meeting, and lead the discussions and deliberations thereof; and

- (c) to exercise the highest representation of the Company before public agencies and any sectoral or employer organisations.
- 3. Also, the chairman, as the person responsible for the proper operation of the board, will see to it that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of directors, safeguarding their rights to freely express and adopt positions, and will organise and coordinate with the chairmen of the board committees regular evaluations of the board and, where appropriate, the managing director or chief executive.
- 4. If the chairman is at the same time the managing director of the Company, the board of directors will authorise one of the independent directors, on proposal of the nominating and compensation committee, to ask the chairman to call the board of directors or include points on the agenda when deemed to be appropriate, to coordinate and reflect concerns of the outside directors and the board's evaluation of the chairman.

Article 11. Vice chairman

- 1. The board necessarily must appoint a vice chairmen, who will replace the chairman if unable to act or absent.
- 2. The board also may appoint other vice chairmen, in which case the described functions will fall on the first vice chairman, who in turn will be replaced if necessary by the second vice chairman, and so on successively. If no vice chairman can act, responsibility will lie with the earliest-appointed director, and if there is more than one such director with the oldest thereof.

Article 12. Secretary of the board

- 1. The board of directors will elect a secretary, the appointment of which may be of one of its members or a person not a member of the board, with capacity to perform the functions inherent in that position. If the secretary of the board of directors is not a director, it will have voice but no vote.
- 2. When the secretary also holds the position as legal advisor, the person appointed must be a lawyer.
- 3. In addition to the authority given by law and the articles of association, the secretary of the board of directors will have the following functions:
 - (a) to maintain custody of the corporate documentation, duly reflect meetings in the minute books and certify the resolutions of the collective management bodies;
 - (b) to see to the formal and substantive legality of the actions of the board of directors and its delegated bodies, verifying that they are consistent with the letter and spirit of the laws and the regulations thereof, including those approved by the regulatory agencies, as well as seeing to observance of the rules in the articles, this regulation, the meeting regulation and other internal rules and regulations of the Company;
 - (c) to verify that the recommendations regarding corporate governance accepted by the Company are followed;

- (d) generally to guide relationships of the Company with the directors in all matters related to the functioning of the board of directors, in accordance with the instructions of the chairman;
 - (e) to process applications of the directors regarding information and documentation of such matters as are to be considered by the board of directors.
 - (f) to process applications of the directors regarding information and documentation of such matters as are to be considered by the board of directors;
 - (g) any others that may be attributed to it by the board of directors.
4. The secretary will be appointed and, if applicable, removed by the full board, in both cases after a report from the nominating and compensation committee.

Article 13. Assistant secretary of the board

- 1. The board of directors may appoint an assistant secretary, which need not be a director, to assist the secretary of the board of directors or replace it if for any reason the secretary is absent.
- 2. When the assistant secretary also holds the position as legal advisor, the person appointed must be a lawyer.

Article 14. Delegated bodies of the board of directors

- 1. As provided in the articles of association, without prejudice to the delegations of authority, if any, made individually to the chairman, the managing director or any other director, the board of directors may appoint an executive committee from among its members, and will be entitled to delegate to it, in whole or in part, on a temporary or permanent basis, all authority that is not legally non-delegable, with the limitations for internal purposes deriving from Article 5. If an executive committee is formed, the board will appoint its members, in such manner that the structure of the various categories of directors participating is similar to that of the board itself, and the secretary thereof will be the secretary of the board.
- 2. The board of directors will appoint an audit and compliance committee and a nominating and compensation committee from among its members. The latter will be of a consultative nature. These committees will be governed by the provisions of law, the articles and this regulation of the board of directors of the Company. For matters not specifically contemplated therein, the operating rules established by this regulation regarding the board will apply, provided that they are consistent with the nature and function of the corresponding committee.
- 3. Also, the board of directors may establish other committees of directors, with such functions as it deems to be appropriate.

TITLE V. FUNCTIONING OF THE BOARD

Article 15. Board meetings

1. The board of directors will meet, ~~on an ordinary basis, a minimum of ten times per year, and~~ as often as deemed to be appropriate by the chairman for the proper functioning of the Company and to adequately perform its tasks and, in any case, at least once a quarter.
2. The schedule of ordinary meetings will be fixed by the board of directors itself before the commencement of each financial year.
3. In any event, the board must necessarily meet within a maximum term of three (3) months after the close of the financial year, to prepare the financial statements, management report and proposal for application of profits.
4. The call of meetings will be made on each director by letter, fax, telegram or e-mail, and will be authorised by the signature of the chairman or, if applicable, by the secretary or assistant secretary by order of the chairman. The call will be sent a minimum of five days in advance, except as regards urgent matters, for which the call will be by the chairman 48 hours in advance. Also, the call always will include the place, date and time for the holding of the meeting, and the agenda for the meeting, if applicable attaching such information as is deemed to be necessary.
5. The board of directors also will meet when so requested by at least one third of its members or two of the independent directors, in which case it must be called by order of the chairman. The same directors will be entitled to require the president to include certain matters in the call for any meeting of the board, without prejudice to the right of proposal corresponding to each director.
6. Furthermore, any directors representing at least one third (1/3) of the members of the Board of Directors may call a board meeting, indicating the agenda, to be held in the city where the registered address is located if, further to the Chairman's request, the latter is unable to call the meeting within a term of one month, without justified cause.
7. ~~6.~~ If the chairman is at the same time the managing director of the Company, the board of directors will authorise one of the independent directors, on proposal of the nominating and compensation committee, to ask the chairman to call the board of directors or include points on the agenda when deemed to be appropriate.
8. ~~7.~~ Without prejudice to the foregoing, the board will be deemed to have been validly constituted, without need of call, when all directors are present or represented and unanimously accept the holding of the meeting on a universal basis, and the matters to be dealt with at the meeting.
9. ~~8.~~ If no director objects, the board also may adopt written resolutions without need of holding a meeting, in accordance with the provisions of the Capital Companies Act, the Commercial Registry Regulation and the articles of association, in which case the vote may be issued in writing or by e-mail, provided that the identity of the director issuing the vote is assured.

10. ~~9.~~ Technical experts, both internal to the Company and external, may attend meetings of the board as invitees, to provide assistance to the directors when so deemed necessary by the chairman of the board of directors.

Article 16. Place held

1. The meetings of the board and its committees will be held at the registered office of the Company or at the place, within Spain or abroad, indicated in the call.
2. Notwithstanding the foregoing, meetings of the board and its committees may be held using remote means of communication if any of the members cannot attend the place fixed for the meeting in the call, provided that in the judgment of the Chairman there are no circumstances making that inadvisable.
3. Directors not physically attending the meeting that use means of communication allowing it to be held on a simultaneous and reciprocal basis with the place of the meeting and with the other members using remote means of communication will be considered to be in attendance for all purposes and may issue their votes by way of the means of communication used.

Article 17. Conduct of meetings and adoption of resolutions

1. In order for resolutions within the authority of the board of directors to be valid, it will be necessary for at least ~~one half plus one~~ the majority of the ~~directors~~ board members to ~~be~~ attend, either present or represented, at the meetings at which they are adopted.
2. Directors must attend meetings of the board, for which reason absence will be reduced to indispensable cases. When they cannot attend in person, they will arrange for special written proxies for each meeting to another member of the board, to the extent possible with instructions. Independent directors may only grant proxies to another independent director. Proxies may be granted by any postal, electronic or fax mechanism, provided that the identity of the director and the sense of the instructions are assured, where relevant.
3. The chairman will organise the discussion, ensuring and encouraging the participation of all directors in the deliberations of the body.
4. The directors, and if applicable the secretary, must clearly state their opposition when they believe any proposed decision submitted to the board may be contrary to the corporate interest. They, in particular independent directors, will also do so regarding decisions that may harm shareholders not represented on the board.
5. Except in cases in which the law or articles specifically establish other voting majorities, resolutions will be adopted by absolute majority of the directors present at the meeting in person or by proxy. In the event of a tie, the chairman will not have a casting vote.
6. The secretary will prepare minutes of meetings of the board of directors, which will be signed at least by the chairman or vice chairmen, if applicable, and the secretary or assistant secretary, if applicable. Minutes will be transcribed or inserted, as provided by law, in a special book of board minutes.

7. The minutes will be approved by the board of directors itself, at the end of the meeting or at the next following meeting, unless the immediacy of scheduling of the meetings does not so allow, in which case they will be approved at a later meeting.
8. To facilitate implementation of resolutions and, if applicable, attesting them as public documents, minutes may be partially approved, each of the approved parts including one or more resolutions.
9. When the directors or the secretary express concerns regarding any proposal or, in the case of directors, regarding the Company's performance, or regarding proposals that they consider to be contrary to the corporate interest or the interests of the shareholders not represented on the board, and such concerns are not resolved at the meeting, they on request of the one stating the concerns will be reflected in the minutes.

TITLE VI. APPOINTMENT AND REMOVAL OF DIRECTORS

Article 18. Appointment of directors

1. Directors will be appointed by the general meeting or the board of directors, in accordance with the provisions in the Capital Companies Act and the articles of association.
2. Proposals for appointment of directors submitted by the board of directors for consideration of the general meeting and the appointment resolutions adopted by that body by virtue of the co-option authority legally attributed to it must be preceded by:
 - (a) the corresponding proposal of the nominating and compensation committee, in the case of independent directors; and
 - (b) the report of the nominating and compensation committee, in the case of other directors.
3. When the board departs from the proposals of the nominating and compensation committee it must state the reasons for so acting in the minutes.
4. The Company will provide the assistance necessary in order for the new directors to rapidly acquire sufficient knowledge of the Company, and its corporate governance rules, for that purpose being entitled to establish orientation programmes. Similarly, it will also offer directors refresher courses when circumstances make that advisable.
5. Directors may not be appointed if, in addition to the board of the Company, they are members of more than six (6) boards of directors of commercial companies. For these purposes, boards of which a director is a member as a proprietary director proposed by the Company or by any company in its group, and those not involving actually engaging in a commercial business, will not be taken into account.
6. The board will see to it that procedures for selection of directors do not suffer from implicit bias making selection of female directors difficult, and will cause the Company deliberately to seek and include as potential candidates women meeting the professional profile sought.

Article 19. Appointment of outside directors

1. The board of directors (and the nominating and compensation committee within the scope of its authority), will see to it that the proposals of candidates sent to the general meeting for appointment as directors, and appointments made directly to fill vacancies in exercise of their authority to do so, are of honourable, suitable persons of recognised solvency, competence and experience, exerting particular effort regarding those called to fill positions as independent directors as contemplated in article 79 of this regulation.
2. Independent directors are those appointed for their personal or professional qualities who are in a position to perform their duties without being influenced by any connection with the Company, its shareholders and its management.
3. In particular, the following may not be proposed or appointed as independent directors:
 - (a) former employees or inside directors of group companies, unless three (3) or five (5) years have elapsed, respectively, from the end of the relationship;
 - (b) those who have received some payment or other form of compensation from the company or its group in addition to their directors' fees, unless the amount involved is not significant.

Dividends or pension supplements received by a director for prior employment ~~and~~or professional services will not count for the purposes of that section, provided such supplements are non contingent, i.e. the paying company has no discretionary power to suspend, modify or revoke their payment, and by doing so would be in breach of its obligations;

- (c) those who are or within the past three (3) years have been partners in the external auditor or the firm responsible for the audit report, during the said period, of the Company or any other company in its group.
- (d) inside directors or senior managers of another company where any inside director or member of the management team of the Company is an outside director;
- (e) those having material business dealings with the Company or any company in its group or who have had such dealings in the preceding year, either on their own account or as the significant shareholder, director or senior manager of a company that has or has had such dealings.

Business dealings are the provision of goods or services, including financial services, as well as advisory or consultancy relationships;

- (f) significant shareholders, inside directors or senior managers of an entity that receives significant donations from the Company or its group, or has done so in the past three (3) years.

This provision will not apply to those who are merely trustees of a foundation receiving donations;

- (g) spouses, partners maintaining an analogous affective relationship or close relatives (parientes hasta de segundo grado) of an inside director or member of the management team of the Company;
- (h) any person not proposed for appointment or reappointment by the nominating and compensation committee;
- (i) those in any of the situations listed in (a), (e), (f) or (g) of this section in relation to a significant shareholder or a shareholder with board representation. In the case of the family relationships indicated in (g), the limitation will apply not only in connection with the shareholder but also with his proprietary directors in the investee company.

Proprietary directors disqualified as such and required to resign due to the sale of shares by the shareholder they represented, may only be re-elected as independent directors once that shareholder has sold all of its shares in the Company.

- (j) A director with shares in the Company may qualify as independent, provided he meets all the conditions stated in this section and the holding in question is not significant in the sense of the applicable regulations.

Article 20. Term of office

1. The directors will serve during the term contemplated in the articles, for so long as the general meeting does not resolve to remove them and they do not resign their positions.
2. Directors may be re-elected one or more times for periods of the same duration. In the case of independent directors, they may be re-elected provided that they do not remain as such for a continuous term of more than twelve (12) years.
3. Such vacancies as may occur may be filled by the board of directors by co-option, in accordance with law, on an interim basis until the first general shareholders meeting held thereafter, which may confirm the appointments, elect the persons that are to replace directors that are not ratified or eliminate the vacant positions.
4. The appointment of directors will lapse when, the term having concluded, the following general meeting has been held or the legal term for holding the meeting that is to resolve on approval of the accounts for the preceding fiscal year has passed.

Article 21. Resignation and removal of directors

1. Directors will cease to act as such when the term for which they were appointed has elapsed, when so resolved by the general meeting in exercise of the authority corresponding to it and when they resign.
2. Directors will place their directorships at the disposal of the board of directors and formally tender their resignations, if the Board deems it to be desirable, in the following circumstances:

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- (a) when they are affected by any of the circumstances of disqualification or prohibition contemplated in provisions of a general nature and the articles of association;
 - (b) when by reason of facts attributable to the director in his capacity as such there has been serious damage to the credit and reputation of the company, or he loses the commercial and professional honour necessary to be a director of the Company;
 - (c) when they cease to serve in the management positions with which, if applicable, their appointment as directors was associated;
 - (d) when they are tried for alleged criminal offenses or subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities; and
 - (e) when remaining on the board could endanger the interests of the Company or the reasons for which they were appointed disappear; in particular, in the case of proprietary outside directors, when the shareholder they represent sells or transfers all or a part of its interest in a manner that results in its losing status as a significant shareholder or shareholder with an interest sufficient to justify the appointment.
3. In any of the cases indicated in the preceding section, the board of directors, in light of the specific circumstances, may require that the director resign the position and, if applicable, propose the director's removal to the general meeting. Without prejudice to notice of the removal as a material disclosure, the board will state the reason for the removal in the annual corporate governance report.
 4. The directors affected by proposed removals will refrain from participating in deliberations and votes dealing with them.
 5. The board of directors may only propose removal of an independent director prior to the end of the articles term when there is just cause, found by the board of directors after a report from the nominating and compensation committee. For these purposes, just cause is breach of the duties inherent in the position, or having been affected by any of the circumstances contemplated in section 2 of this Article. Such removal may also be proposed as a result of public tender offers, mergers or other similar corporate transactions resulting in a significant change in the capital structure of the Company.
 6. When a director leaves office before the end of the term, by resignation or otherwise, the director must explain the reasons therefor in a letter to be sent to all members of the board.

TITLE VII. DIRECTOR INFORMATION

Article 22. Rights of information and examination

1. A director has a duty diligently to keep abreast of the progress of the Company. For that purpose, the director may request information regarding any aspect of the Company, and

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examine its books, records, documents and other documentation. The right of information extends to investee companies if possible.

2. Exercise of the right of information will first be channelled through the chairman of the board of directors, which will forward the request to the appropriate spokesman for the Company. If in the judgment of the chairman the information is confidential, it will advise the requesting and receiving director of that circumstance and the duty of confidentiality, in accordance with the provisions of law and this regulation.

Article 23. Expert assistance

1. In order to be assisted in the performance of their duties, outside directors may request the engagement, at the expense of the Company, of legal, accounting, technical, commercial, financial and other expert advisors. Such advice must necessarily relate to specific problems of a degree importance and complexity that arise in the discharge of the directors' duties.
2. The request to engage the advisor will be channelled through the chairman of the board of directors of the Company, which may subject it to prior authorisation of the board of directors, which may be denied when there are reasons so justifying, including the following circumstances:
 - (a) it is not necessary for proper performance of the functions entrusted to the outside directors;
 - (b) the cost thereof is not reasonable in view of the importance of the problem and the assets and income of the Company;
 - (c) the technical assistance sought may be adequately provided by experts and technicians of the Company; or
 - (d) it may result in a risk to the confidentiality of the information that is to be provided to the expert.

TITLE VIII. DIRECTOR DUTIES

Article 24. General obligations

1. In the performance of their duties, directors will act in good faith and with the diligence of an organised businessman and loyal representative, always acting in the corporate interest.
2. Without prejudice to the obligation to fulfil the duties imposed by the Capital Companies Act and the articles of association, a director in particular is required:
 - (a) to prepare adequately for meetings of the board and, if applicable, the delegated bodies to which the director belongs, being required diligently to keep abreast of the progress of the Company and the matters to be dealt with at those meetings;

- (b) to attend the meetings of the board of directors and actively participate in the deliberations, in order for the director's views to effectively contribute to the process of decision making. If a director, for just cause, cannot attend a board meeting that has been called, the director must give instructions to a director to represent him;
- (c) to perform any specific task assigned to him by the board of directors or any of its delegated and/or consultative bodies that is reasonably within his time commitment;
- (d) to notify the board or the competent body of the Company of any irregularities in management of the company that have come to his attention;
- (e) to ask those having authority to do so to call an extraordinary meeting of the board to deal with the matters he deems to be appropriate, or include them on the agenda of the next meeting to be held;
- (f) to oppose resolutions contrary to law, the articles or the corporate interest, to request recording in the minutes of his position when he believes it to be more appropriate to the protection of the corporate interest and to challenge or, if applicable, seek annulment of such resolutions; and
- (g) to contribute his strategic vision, and innovative ideas, judgment and resources for optimum development and evolution of the Company's business.

Article 25. Duty of confidentiality and private information

1. A director, even after ceasing to serve as such, will maintain secrecy regarding the deliberations of the board of directors and the delegated bodies of which he is a part and, in general, will refrain from disclosing information, data, reports or background to which he has had access while serving as a director, or using them for his own benefit or that of any third party when that could have consequences harmful to the corporate interest
2. An exception to the duties referred to in this article is made for those circumstances in which the law permits communication or disclosure to third parties or, if applicable, when the information is required by or must be submitted to the respective supervisory authorities, in which case the disclosure must comply with the applicable legal provisions.
3. Without prejudice to the obligations of directors regarding privileged information and material information of the Company on the terms referred to in the securities market legislation, the directors will refrain from using any private information for their own benefit or that of third parties.

Article 26. Non-compete obligation

1. A Director may not, on his own behalf or on behalf of another, directly or indirectly, engage in any activity constituting direct and effective competition with the Company's business. The functions and positions that may be held by the Company in subsidiaries or investee companies are excepted.

2. The non-compete obligation contemplated in the preceding section may be waived by the Company, by resolution of the general meeting on proposal of the board of directors, when, based on the circumstances, the interests of the Company are not harmed or placed at risk. In this regard, any waiver will require a prior report of the audit and compliance committee.
3. For these purposes, directors must give notice of the direct or indirect interests they hold in another company with a business that is the same as, analogous to or complementary to the business that constitutes the corporate purpose and also must give notice of the positions or functions held or exercised therein, as well as engaging in a business, on their own behalf or on behalf of another, which is the same as, analogous to or complementary to the business that constitutes the purpose of the Company. This information will be included in the annual corporate governance report and in the notes to the financial statements.

Article 27. Conflict of interest

1. A conflict of interest will be deemed to exist in those situations in which the interest of the Company or the companies in its group is in direct conflict with the personal interest of the director. There is a personal interest of a director when the matter affects it or a related person.
2. For purposes of this regulation persons related to directors are those treated as such under current article 231 of the Capital Companies Act.
3. Conflicts of interest will be governed by the following rules:
 - (a) A director will avoid situations that could result in a conflict of interest between the Company and the director or related persons;
 - (b) In any event, a director will, upon learning thereof, advise the board of directors of the existence of conflicts of interest; and
 - (c) In any event, a director must refrain from attending and participating in the deliberations and votes affecting matters in which the director is personally interested. In this regard, the votes of the directors affected by the conflict that are to refrain from voting will be subtracted for purposes of computation of the necessary voting majority.
 - (d) In any event, all conflicts of interest involving directors will be disclosed in the annual corporate governance report and in the notes to the financial statements.
4. A director may not directly or indirectly undertake professional or commercial transactions with the Company, absent prior disclosure of the conflict of interest situation and board of directors approval of the transaction, after a report from the audit and compliance committee.

Article 28. Use of corporate assets

1. Directors may not use the assets of the Company or use their position in the Company to obtain an economic advantage, unless appropriate compensation is paid.

2. By way of exception, a director may be exempted from the obligation to give consideration, but in this case the economic advantage will be treated as indirect compensation and must be authorised by the board, with a prior report of the nominating and compensation committee. If the advantage is received in the director's capacity as a shareholder, it will only be allowed if the principal of equality of shareholders is respected.

Article 29. Business opportunities

1. A director may not, on his own behalf or on behalf of related persons, take advantage of a business opportunity of the company within the ordinary course of its business, unless the investment or transaction has previously been offered to the Company, the Company has declined participation therein without influence of the director, and the director's taking advantage of the transaction was authorised by the board, after a report from the audit and compliance committee.
2. For purposes of the preceding section, a business opportunity is any possibility of making an investment or engaging in a commercial transaction that has arisen or been discovered in connection with the exercise of the director's duties, or through the use of Company resources and information, or under circumstances making it reasonable to believe that the offer of the third party in fact was addressed to the Company.
3. Also, a director must refrain from using the name of the Company and invoking his status as a director the Company when engaging in transactions on his own behalf or on behalf of related persons.

Article 30. Indirect transactions

A director violates his duty of loyalty to the Company if, with prior knowledge, he allows or does not disclose the existence of transactions undertaken by related persons that have not been submitted to the conditions and controls contemplated in the preceding Articles.

Article 31. Reporting duties

1. A director must advise the Company of the shares thereof of which he is the owner, directly or indirectly through related persons, all of the foregoing in accordance with the provisions of the internal code of conduct for matters related to the securities markets.
2. A director also must advise the Company of the positions he holds and activities he undertakes in other companies and, in general, of his other professional obligations, and of any fact or circumstance that could interfere with the required dedication or be relevant to his acting as an administrator of the Company.
3. A director must advise the Company of such circumstances as affect him and may harm the credit or reputation of the Company, in particular of criminal actions in which the director appears as an accused, and significant procedural developments therein. After examining the situation, the board may require that the director present his resignation, which decision must be respected by the director.
4. A director must provide the Company with an e-mail address and mobile telephone number so that meetings of the board of directors may be called by these means, if so desired, and the corresponding information may be provided to him.

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TITLE IX. DIRECTOR COMPENSATION

Article 32. Director compensation

1. The compensation of directors will consist of a fixed monthly stipend and per diems for attending meetings of the board of directors and its committees. The maximum amount of compensation to be paid by the Company to its directors in these categories will be the amount determined for that purpose by the general shareholders meeting, which will remain in effect until an amending resolution.
2. The board of directors, within the maximum set by the general shareholders meeting, each financial year will fix the specific amount to be received by each of the directors, it being permissible for it to vary the amount to be received by each of them based on:
 - (a) the director's membership or lack of membership on a delegated body of the board;
 - (b) the positions the director occupies therein or, in general,
 - (c) the director's dedication to administration tasks or service to the Company.
3. The board will see to it that compensation is reasonable and consistent with compensation paid in the market as regards companies of similar size and activity.
4. The compensation deriving from membership on the board of directors, will be compatible with and independent of such other professional or employment compensation as may correspond to the directors for the performance of management work or for advice other than the group supervision and decision-making inherent in their capacities as directors, which will be subject to the applicable legal scheme.
5. Inside directors may be compensated by delivery of shares of the Company or another group company to which they belong, options thereon or instruments indexed to their price.

When dealing with shares of the Company or instruments indexed to the price thereof, the compensation must be resolved by the general shareholders meeting. The resolution, if applicable, will state the number of shares to be delivered, the price of exercise of the option rights, the value of the shares taken as a reference and the term of this form of compensation.

Ownership of shares and the ability to exercise stock options and rights of acquisitions of shares or compensation based on changes in the prices thereof will be subject to predetermined and measurable performance criteria.

Ownership of shares may not be effective, nor may rights be exercised, until a minimum term of two (2) years has elapsed after the award thereof. Once full ownership of shares is acquired, the directors must retain a minimum number of them until the ends of their terms in office, if applicable subject to the need to finance costs related to acquisition of those shares. In this regard, the number of shares retained must be equal to two times the value of total annual compensation.

6. Compensation of inside directors may also include variable compensation tied to profitability of the Company or pension schemes.

The fixed element of compensation must be sufficient so that the Company may retain the variable components if the director does not meet the performance criteria that have been established.

For any possible variable compensation, it must be ensured that such compensation bears a relationship to the professional performance of the beneficiaries, and does not derive simply from a general trend in the markets or the company's business sector, or other similar circumstances. Specifically, the variable components of compensation must:

- (a) be tied to predetermined and measurable performance criteria;
 - (b) promote the sustainability of the Company in the long term, including non-financial criteria, such as compliance with standards and procedures, that are appropriate to the creation of long-term value in the Company.
 - (c) when paid, in significant part be deferred for a minimum period of time, in order to determine whether the established performance conditions have been satisfied;
 - (d) have the part of the compensation subject to the deferred payment determined based on the relative weight of the variable component by comparison with the fixed component of compensation; and
 - (e) regarding contractual arrangements entered into with directors, include a clause allowing the Company to claim repayment of the variable components of compensation when the payment is not in accordance with those performance conditions, or when the compensation has been paid based on information the inaccuracy of which is later manifestly demonstrated.
7. Payments for termination of contract will not exceed an established amount equivalent to two years of fixed annual compensation, and will not be paid when termination of the contract is based on inadequate performance.
8. Regarding outside directors, the board will adopt all measures available to it to ensure that their compensation, including the part, if any, they receive as members of committees, is in accordance with the following criteria:
- (a) an outside director will be compensated based on actual time commitment, qualification and responsibility;
 - (b) the amount of an outside director's compensation should be calculated in a manner that offers incentives for the director's commitment, but does not constitute an obstacle to the independence thereof; and
 - (c) an outside director must be excluded from compensation by way of delivery of shares, stock options or instruments indexed to the share value, as well as the pension schemes financed by the Company for cases of dismissal, death or otherwise. The foregoing limitation will not apply to compensation by way of

delivery of shares, when it is conditioned on the outside directors holding the shares until they cease to be directors.

9. Directors will be entitled to payment of their justified travel expenses incurred to attend meetings of the board of directors or its committees.
10. The Company may secure civil liability insurance for its directors.
11. The compensation of outside directors and inside directors will be stated in the notes to the financial statements, broken down by each director.
12. Together with the annual corporate governance report, the board of directors must prepare and disseminate an annual report on compensation of directors, which is to include complete, clear and comprehensible information regarding the Company's compensation policy, approved by the board for the year in course and, if applicable, the policy contemplated for future years. It also will include an overall summary of how the compensation policy was applied during the financial year, and details of the individual compensation earned by each of the directors.

This report is to be disseminated and submitted to vote on a consultative basis, as a separate point of the agenda, by the ordinary general shareholders meeting.

13. The Company will encourage all shareholders and, in particular, institutional shareholders to attend general meetings and prudently exercise their votes therein when dealing with compensation of the Directors.

TITLE X. BOARD RELATIONSHIPS

Article 33. Relationships with shareholders

1. The board of directors at any time may request from the entity responsible for book entries the information necessary for identification of the shareholders of the Company, including the addresses and means of contacting them, to allow communication therewith.
2. The board of directors will decide the appropriate channels for receiving proposals from shareholders related to the management of the Company.
3. The board, through some of its directors and with the cooperation of such members of the management team as it deems to be appropriate, may organise informational meetings regarding the progress of the Company and its group or other matters of interest to the shareholders residing in the locations of the most significant financial markets, in Spain and abroad. In its relationships with shareholders, the board of directors will guarantee equal treatment, simultaneously providing the presentations used in the informational meetings to the National Securities Market Commission, and publishing them on the Company's website.
4. The board of directors also will establish appropriate mechanisms for regular interchange of information with institutional investors holding shares of the Company. In no case may the relationships between the board of directors and those shareholders

result in delivery thereto of any information that could give them a privileged or advantageous status by reference to the other shareholders.

5. The board of directors will promote informed participation by shareholders in general meetings and will take appropriate measures to enable the general shareholders meeting effectively to exercise the functions assigned to it by law and the articles of association.

In particular, the board of directors will adopt the following measures:

- (a) it will devote itself to making available to the shareholders, prior to the meeting, all information that is legally required and all such information as, without being legally required, may be of interest and reasonably provided;
- (b) it will respond with the greatest diligence to requests for information presented to it by shareholders prior to the meeting;
- (c) it will, with the same diligence, respond to questions stated by shareholders at the time of holding the meeting; and
- (d) it will see to it that the matters proposed to the meeting are voted on in an organised and separate manner, allowing the shareholders to participate by stating their opinions regarding each of the questions submitted to vote.

Article 34. Relationships with markets

1. The board of directors, by way of material disclosures to the National Securities Market Commission and on the corporate website, will immediately advise the public of all material information, on the terms established in the Securities Market Act and its implementing legislation.

In particular, the Board of Directors will immediately advise the public regarding:

- (a) Material disclosures capable of significantly influencing the establishment of market prices for the securities issued by the Company;
 - (b) Material changes in the rules of governance of the Company.
 - (c) Changes in the composition, rules of organisation and functioning of the board and its committees, or in the functions and positions of each director within the Company, as well as any other material change in the system of corporate governance.
2. The board of directors will adopt the measures necessary to ensure that semi-annual, quarterly and any other financial information that is disclosed to the markets is prepared in accordance with the same professional practices, principles and policies as the annual financial statements and is equally reliable.
 3. The reporting obligations will be fulfilled by using any technical, computer or remote resource, without prejudice to the rights of the shareholder to request printed information.

Article 35. Relationships with outside auditor

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1. The board of directors will establish an objective, professional and ongoing relationship with the Company's outside auditor, respecting its independence to the maximum extent.
2. The relationships referred to under the preceding number normally will be channelled through the audit and compliance committee.
3. The board of directors will publicly report the overall fees paid by the Company to the audit firm, for both audit services and other services.
4. The board of directors will arrange for definitive preparation of the financial statements in a manner that will not result in qualifications by the auditor. However, when the board concludes that its position should be maintained, it will publicly explain the substance and scope of the disagreement.

TITLE XI. BOARD COMMITTEES

Article 36. The executive committee

1. The board of directors may appoint an executive committee from among its members, of which the chairman and the managing director, if any, will be a part.
2. In the absence of a specific rule, the provisions of this regulation related to the functioning of the board of directors and, in particular, regarding the call of meetings, proxies in favour of other directors, constitution, universal meetings, scheme for adoption of resolutions and written votes without the holding of the meeting will be applicable to the executive committee, to the extent not incompatible with its nature.
3. The powers of this committee will be those that, from time to time, are delegated to it by the board within the limits of law, the articles of association and this regulation.
4. If an executive committee is appointed, it will be required to report to the board regarding the principal matters considered and the decisions in respect thereof at its meetings.
5. The chairman and secretary of the executive committee will be those that in turn are chairman and secretary of the board of directors. The structure of participation of the various categories of directors will be similar to that of the board itself.

Article 37. Audit and compliance committee

1. The board of directors will establish an audit and compliance committee, of a permanent nature, which will be comprised of a minimum of three directors and a maximum of five, appointed by the board of directors itself from among its outside directors. In this regard, at least one of the members of the audit committee will be independent.
2. The members of the audit committee, particularly its chairman, will be appointed on the basis of their knowledge and background in accounting, auditing or risk management matters.

3. Without prejudice to such other tasks as may be assigned to it from time to time by the board of directors, the audit and compliance committee in any event will have the following authority:
- (a) reporting to the general shareholders meeting in answer to questions raised by shareholders that fall within the scope of its responsibilities;
 - (b) supervising and reviewing the process of preparation and presentation of the regulated financial information that, in accordance with article 35 of the Securities Market Act, is to be provided by the board to the markets and their supervisory bodies, and in general seeing to compliance with the legal requirements in this area, the appropriate delimitation of the scope of consolidation and the proper application of generally accepted accounting principles, and reporting on proposals for changes in accounting principles and standards suggested by management;
 - (c) Periodically supervising and reviewing the effectiveness of the Company's internal control procedures, internal audit and risk management systems, verifying the appropriateness and completeness thereof and proposing the hiring, appointment and removal of those responsible therefor; proposing the budget for such services and verifying that the members of the management team take account of the conclusions and recommendations in its reports; and discussing with the Company's auditors such significant weaknesses in the internal control system as may be discovered in the conduct of the audit;
 - (d) proposing to the board of directors, for submission to the general shareholders meeting, the appointment of the outside auditors, as well as the conditions for hiring them, the scope of their professional assignment and, if applicable, revocation or non-renewal of the appointment;
 - (e) establishing the appropriate relationships with auditors or audit companies to receive information regarding such questions as may compromise their independence, for examination by the committee, and those of anyone else involved in the process of auditing accounts, and such other communications as may be contemplated in the legislation regarding auditing and audit standards.

In any event, annually they must receive from the auditors or audit companies written confirmation of their independence as regards the entity or directly or indirectly related entities, and information on additional services of any kind provided to these entities by the aforesaid auditors or companies, or by the persons or entities related thereto, in accordance with the provisions of the audit law.

- (f) annually, prior to the issue of the audit report, issuing a report stating an opinion regarding the independence of the auditors or audit companies. This report in any event must opine on the provision of services in addition to audit services, ensuring respect for the existing rules in this regard, the limits on the concentration of the auditor's business and, in general, the other requirements designed to safeguard auditors' independence;

- (g) serving as a communications channel between the board of directors and the auditors; evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter in relation to the principles and criteria applicable in the preparation of the financial statements, and examining the circumstances, if any, underlying resignation of the auditor;
 - (h) supervising compliance with the rules regarding related party transactions with directors or major shareholders or shareholders represented on the board; in particular, it will report to the board regarding such related party transactions and, in general, regarding transactions that imply or may imply conflicts of interest, for purposes of their approval, and will see to it that information in respect thereof is communicated to the market as required by law;
 - (i) supervising compliance with internal codes of conduct, in particular the code of conduct for the securities market;
 - (j) establishing an internal mechanism whereby staff can report, confidentially and, if appropriate, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the Company;
 - (k) preparing and updating a declaration of ethical values related to the reliability of financial information in compliance with applicable regulations, which will be approved by the board of directors and communicated to all levels within the organisation;
 - (l) establishing procedures to monitor respect for principles of professional integrity and ethics, and measures to identify and correct departures from those values within the organisation;
 - (m) any such others as may be attributed to it by law and other regulations applicable to the Company.
4. The audit and compliance committee will be called by the chairman of the committee, on his own initiative, or on request of the chairman of the board of directors or two members of the committee itself. The call will be sent by letter, telegram, fax, e-mail, or in any other manner allowing evidence of receipt.
 5. In any event the audit and compliance committee will be called and will meet, at a minimum, on a quarterly basis, to review the periodic financial information that, in accordance with article 35 of the Securities Market Act, the board must send to the market supervisory authorities as well as the information the board of directors is to approve and include within its annual public documentation.
 6. The chairman of the audit and compliance committee will be appointed from among the outside directors or members that have no management functions within the Company, and have no contractual relationship other than the status on the basis of which they are appointed.

7. The chairman must be replaced every four years, and may be re-elected after a term of one year elapses since he left office.
8. Also, the committee will appoint a secretary and may appoint an assistant secretary, neither being required to be a member thereof. If these appointments are not made, those holding those positions on the board will act as such.
9. The audit and compliance committee may validly meet when a majority of its members attend the meeting in person or by proxy. Resolutions will be passed by a majority of the members in attendance, in person or by proxy.
10. Minutes will be prepared of the resolutions adopted at each meeting, which will be reported to the full board, sending or delivering a copy of the minutes to all members thereof.
11. The audit and compliance committee will prepare an annual report of its actions, highlighting the principal incidents, if any, that have arisen in respect of matters within its competence. In addition, when the audit and compliance committee deems it to be appropriate, it is to include proposals for improvement of the company's governance rules in the report.
12. When so requested by the committee, the members of the management team and the employees of the company are required to attend meetings of the audit and compliance committee and cooperate with it and give it access to the information available to them. The committee may also require the Company's auditors to attend its meetings.
13. When it deems it to be necessary for appropriate fulfilment of its duties, the audit and compliance committee may seek the advice of outside experts, making this circumstance known to the secretary or assistant secretary of the board, who will take responsibility for contracting for the corresponding services.
14. In the absence of a specific rule, to the extent not incompatible with its nature, the provisions of this regulation regarding the functioning of the board of directors will be applicable to the audit and compliance committee.

See Article 38. Nominating and Compensation Committee

1. The nominating and compensation committee will be comprised of outside directors, the majority independent, in a number determined by the board of directors, with a minimum of three and a maximum of five. The members of the nominating and compensation committee will be appointed by the board of directors.
2. The nominating and compensation committee will appoint a chairman from among its members. The chairman will be an independent director. The chairman must be replaced every four years, and may be re-elected after the term of one year elapses since he left office.
3. At least one of the members of the nominating and compensation committee must have knowledge and experience regarding compensation policies.

4. Without prejudice to such other tasks as may be assigned to it from time to time by the board of directors, the nominating and compensation committee in any event will have the following authority:
- (a) evaluating the competence, knowledge, experience and level of dedication required of members of the board of directors;
 - (b) making proposals to the board of directors of independent directors to be appointed by co-option or, if applicable, for submission to decision by the general meeting, and proposals for re-election and dismissal of those directors by the Company;
 - (c) reporting on proposals of the board of directors for appointment of other directors to be appointed by co-option or, if applicable, for submission to decision by the general shareholders meeting, and proposals for re-election and dismissal of those directors by the general meeting;
 - (d) reporting on the senior management appointments and removals that the chief executive of the Company proposes to the board;
 - (e) reporting to the board on matters of gender diversity and, in particular, seeing to it that procedures for selection of directors and senior managers do not suffer from implicit bias preventing selection of women;
 - (f) proposing to the board of directors (i) the system for and amount of annual compensation of directors, (ii) the individual compensation of inside directors and senior managers and the other terms of their contracts and (iii) the basic terms of contracts of senior managers;
 - (g) analysing, formulating and periodically reviewing the compensation policy applied to inside directors and the management team, including schemes for compensation in the form of shares and the application thereof, and guaranteeing that it is proportionate to the compensation paid to other directors and members of the management team and other personnel of the Company;
 - (h) overseeing compliance with the compensation policy set by the Company;
 - (i) generally supervising compliance with the Company's applicable corporate governance rules.
 - (j) reporting to the shareholders on its performance of its duties, for this purpose attending the general shareholders meeting; and
 - (k) assisting the board in preparation of the report on the compensation policy for directors, and sending the board any other reports on compensation contemplated in this regulation.
5. The nominating and compensation committee will meet as often as necessary, in the judgment of its chairman. The chairman must call a meeting upon request for the issuance of a report or adoption of proposals and, in any event, whenever it is appropriate to the proper exercise of its authority.

6. It will be called by the chairman of the committee, on his own initiative, or on request of the chairman of the board of directors or two members of the committee itself. The call will be sent by letter, telegram, fax, e-mail, or in any other manner allowing evidence of receipt.
7. The nominating and compensation committee may validly meet when a majority of its members attend the meeting in person or by proxy. Resolutions will be passed by a majority of the members in attendance, in person or by proxy.
8. Minutes will be prepared of the resolutions adopted at each meeting, which will be reported to the full board. The minutes will be available to all members of the board at the office of the secretary thereof, but will not be subject to sending or delivery on a discretionary basis, unless the chairman of the committee otherwise orders.
9. When so requested by the committee, the members of the board of directors, the management team and the employees of the company are required to attend meetings of the nominating and compensation committee and cooperate with it and give it access to the information available to them.
10. In the absence of a specific rule, to the extent not incompatible with its nature, the provisions of this regulation regarding the functioning of the board of directors will be applicable to the nominating and compensation committee.

TITLE XII. REPORTING POLICY

Article 39. Annual corporate governance report

1. The board of directors annually will approve an annual corporate governance report of the Company, referring to the matters contemplated by law, together with those, if applicable, it deems to be appropriate. In particular, the report must offer a detailed explanation of the structure of the company's governance scheme and its functioning in practice, in particular including a description of the principal characteristics of the internal risk control and management systems related to the process of issuance of financial information.
2. The annual corporate governance report will be approved prior to publication of the notice of call of the ordinary general meeting of the Company for the financial year in question, and will be made available to the shareholders together with the other documentation of the general meeting.
3. In addition, the annual corporate governance report will be publicised as contemplated in the securities market regulations. In particular, the report will be published as a material disclosure.

Article 40. Website

1. The Company will maintain a website (www.diacorporate.com) to respond to exercise to the shareholders' right of information and to disseminate the material information of the Company to investors. The website will include the documents and information

contemplated by law, and any others determined by the board of directors, at least the following in the terms foreseen by law:

- (a) the articles of association;
- (b) the general meeting regulation;
- (c) the board of directors regulation;
- (d) the internal code of conduct on securities markets;
- (e) the annual corporate governance report for the most recent closed financial year and prior financial years;
- (f) the composition of the board of directors and its committees, identifying their members, positions, status and possible relationships with significant shareholders of the Company;
- (g) the financial statements, together with the management report, and the periodic public information sent to the National Securities Market Commission;
- (h) information regarding the call, agenda and proposed resolutions of any ordinary or extraordinary general meeting, as well as any material information that may be required by shareholders in order to cast their votes;
- (i) information regarding the development of general shareholders meetings already held, in particular regarding the agenda, attendance at the general meeting at the time it was held, resolutions adopted stating the number of votes cast and the sense thereof for each of the proposals included on the agenda;
- (j) the communications channels existing between the Company and the shareholders, in particular the pertinent explanations regarding exercise of the shareholders' information right, indicating the postal and e-mail addresses to which they may be sent;
- (k) the resources and procedures for granting proxies for the general meeting;
- (l) the resources and procedures for exercise of remote voting at the general meeting, if applicable including forms to show ~~remote~~ attendance and voting; by proxy and by remote means, through telematic procedures; and
- (m) the material disclosures notified to the National Securities Market Commission during the current financial year and the last closed financial year.

2. Specifically, within the information regarding directors the Company makes public by way of its website, updated information will be included regarding (i) their professional and biographical profiles, (ii) other boards of directors of which they are members, whether or not listed companies, (iii) an indication of the category of director to which they belong, as applicable, in the case of proprietary directors indicating the shareholder they represent or to which they are related, (iv) the date of first appointment as a director of the Company, and the dates of subsequent appointments, and (v) the shares of the Company and options thereon owned by the director.

3. The board of directors may agree to modify, remove or transfer the website. This resolution will be recorded at the Commercial Registry or will be notified to all the shareholders and, in any case, will be published in the Official Gazette of the Commercial Registry and the website itself will announce a resolution to modify, remove or transfer within thirty (30) days following the insertion of the resolution.

TITLE XIII. EFFECTIVE DATE

Article 41. Effective Date

The regulation will be in effect for an indefinite term and will become effective on the date of official admission to trading of the shares of the Company on the stock exchanges by way of the Spanish Exchange Interconnection System (Sistema de Interconexión Bursátil).



ANNEX II

**NEW VERSION OF THE REGULATIONS OF THE BOARD OF DIRECTORS
REGULATION**



**BOARD OF DIRECTORS
REGULATION OF
DISTRIBUIDORA
INTERNACIONAL DE
ALIMENTACIÓN, S.A.**

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TITLE I. PRELIMINARY

Article 1. Purpose

1. This regulation is approved by the board of directors of Distribuidora Internacional de Alimentación, S.A. (the "**Company**"), in compliance with the provisions of Article 516 of Royal Legislative Decree 1/2010 of 2 July 2010, approving the recast text of the Capital Companies Act.
2. The purpose of this regulation is to specify the principles for actions of the board of directors, the basic rules of its organisation and functioning and the rules of conduct for its members. The regulation seeks to achieve the greatest transparency, effectiveness, motivation, supervision and control regarding the board's functions of management and representation of the corporate interests, in accordance with the principles and recommendations regarding corporate governance of listed companies.

Article 2. Scope of application

1. This regulation applies to the directors of the Company (the "**directors**") and, to the extent consistent with their specific nature and the activities they perform, the members of the Company's management team. The "**management team**" for purposes of this regulation is the managers reporting directly to the board of directors of the Company, to the managing director and, if applicable, to the executive committee or chief executive of the Company.
2. The persons to which this regulation applies will be required to know it, comply with it and cause compliance with it. To that end, the secretary of the board will provide all members with a copy hereof, without prejudice to publication hereof on the Company's website.

Article 3. Priority and interpretation

1. This regulation develops and completes the legal and articles rules applicable to the board of directors.
2. This regulation will be interpreted in accordance with the principle of hierarchy of regulations, and in accordance with the legal and articles rules that are applicable, as well as the principles and recommendations regarding corporate governance for listed companies.
3. The board of directors, after a report from the audit and compliance committee, will resolve such doubts or differences as may arise in application or interpretation of this Regulation.

Article 4. Distribution and amendment

1. The board of directors will adopt the measures necessary to distribute this regulation among the shareholders and the general investing public. In particular, and without prejudice to other possible measures, the regulation will be notified to the National Securities Market Commission, attaching a copy of the document comprising it, and will be registered in the Commercial Register. Also, the regulation will be available on the Company's website.

This document is a translation of an original text in Spanish and it is provided for information purposes only. In the event of any discrepancy between both texts, the original text in Spanish will prevail.

2. The regulation may be amended on proposal of the chairman, three directors, the nominating and compensation committee or the audit and compliance committee. Proposals for amendment must be accompanied by a justifying memorandum and reviewed and reported on by the nominating and compensation committee, except when the proposal is made by the latter. The text of the proposal, the justifying memorandum and, if applicable, the report of the nominating and compensation committee must be attached to the board of directors meeting that is to consider it, on the agenda of which it must expressly appear.
3. Amendment of the regulation must be approved by resolution adopted by simple majority of the members of the board of directors, provided that the favourable vote of the majority of the independent directors is also obtained.

TITLE II. BOARD MISSION

Article 5. Authority of board of directors

1. The board of directors has authority to adopt resolutions regarding all kinds of matters not attributed by law or the articles of association to the general meeting.
2. The board of directors has the broadest power and authority to manage, direct, and represent the Company. As a general rule it entrusts ordinary management of the Company to the delegated administrative bodies, and concentrates its actions on the general function of supervision and on consideration of those matters that are of particular importance to the Company.
3. Judicial and other representation of the Company will correspond to the board of directors, its chairman, the managing director and, if applicable, the executive committee.
4. In any event, the board will assume, without delegation, such authority as is legally reserved directly to it, and such other authority as may be necessary for effective exercise of the general supervision function. In particular, by way of illustration and not limitation, the following are non-delegable powers of the board:
 - (a) approval of the general policies and strategies of the Company and the organisation necessary to implement them including, inter alia, the following:
 - (i) the strategic or business plan, as well as annual management objectives and budget;
 - (ii) the investment and financing policy;
 - (iii) the structure of the corporate group and the coordination, within the legal limits, of the general strategy of the group in the interest of the Company and the companies comprising it;
 - (iv) the corporate governance policy;
 - (v) the corporate social responsibility policy;

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- (vi) the policy for compensation and evaluation of the performance of the management team;
 - (vii) the policy for control and management of risk, identifying the principal risks of the Company and organising the appropriate internal control and reporting systems;
 - (viii) setting the bases for the corporate organisation, in order to assure greater efficiency thereof and effective supervision by the board of directors;
 - (ix) setting and implementing the dividend and treasury share policies, within the framework of the authorisations of the general meeting.
- (b) approval of the following operating decisions:
- (i) call of the general meeting of shareholders;
 - (ii) appointment of directors by way of co-option and referring proposals to the general meeting regarding appointment, ratification, re-election and removal of directors, as well as acceptance of director resignations;
 - (iii) appointment and renewal of those in the internal positions within the board of directors, and the members of and positions on committees constituted within the board;
 - (iv) delegation of authority to any of its members, on the terms established by law and the articles, and revocation thereof;
 - (v) appointment and possible removal of the chief executive of the Company and, on its proposal, of the management team as well as indemnification clauses related thereto;
 - (vi) preparation of the financial statements, management report and proposal for application of profits of the Company, as well as the consolidated financial statements and management report, and the other periodic financial information that must be sent to the market supervisory authorities;
 - (vii) preparation of the annual corporate governance report to be presented to the general meeting and the other reports and documents that must be submitted to it;
 - (viii) approval of amendment of the board of directors regulation;
 - (ix) proposal to the general shareholders meeting of the Company of the amendments to the regulation of the general shareholders meeting it deems to be appropriate to ensure exercise of shareholders' rights of participation;
 - (x) fixing, in accordance with the articles of association and within the limits established thereby, the compensation policy and the compensation of directors, on proposal of the nominating and compensation committee.

- (xi) fixing, in the case of inside directors, any additional consideration for their management duties and other terms of their contracts;
 - (xii) the establishment of strategic alliances with industrial, commercial or financial groups, domestic or foreign;
 - (xiii) investments, divestitures or transactions of all kinds (including financing transactions) that, by reason of their high amount or special characteristics, are of a strategic nature, including industrial, commercial and financial transactions of particular importance, unless (i) they have been approved in the annual budget, or (ii) approval thereof corresponds to the general meeting;
 - (xiv) the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature the complexity of which might impair the transparency of the group, after a report from the audit and compliance committee; and
- (c) approval, after a favourable report from the audit and compliance committee, of transactions the Company enters into with directors, significant shareholders or those having representatives on the board, or with persons related to them ("**related party transactions**").

Nonetheless, transactions that simultaneously satisfy the three (3) following conditions will not require board authorisation:

- (i) they are governed by standard form adhesion contracts applied on an across-the-board basis to a large number of customers;
 - (ii) they are entered into at market prices or rates, generally fixed by the person supplying the goods or services; and
 - (iii) the amount of the transaction is not in excess of one percent (1%) of the consolidated annual revenue of the group of which the Company is the parent.
5. Notwithstanding the foregoing, the authority referred to in (b) and (c) may for reasons of urgency be adopted by the managing director or executive committee, if any, under the delegation granted, requiring subsequent submission for ratification of the full board.
6. The board, as the one responsible for the corporate governance policy, once each year will evaluate the quality and efficiency of the functioning of the board, the performance of their duties by the chairman of the board and the chief executive of the Company, as well as the functioning of its committees, based on the reports presented by them.

Article 6. Corporate interest

1. The board of directors at all times will exercise its authority in the interest of the Company, that being understood to be the common interest of the shareholders, albeit at the same time considering the other legitimate interests, public or private, involved

in the conduct of any business activity, particularly those of workers, among other stakeholders. In this regard, the actions of the board of directors and its delegated bodies at all times will be aimed at maximising the economic value of the Company on a sustained basis.

2. Also, the board of directors will see to it that, in its relationships with stakeholders, the Company respects the laws and regulations, fulfils its obligations and contracts in good faith, respects the uses and best practices of the sectors and areas in which it conducts business, and observes such additional principles of social responsibility as it may have voluntarily accepted.

TITLE III. BOARD COMPOSITION

Article 7. Number of directors

1. The board of directors will be comprised of the number of directors determined by the general meeting within the limits set by the Company's articles.
2. The general shareholders meeting determines the number of directors. The general meeting may fix that number by express resolution or, indirectly, by resolutions filling vacancies and appointing new directors adopted within the aforesaid maximum and minimum.
3. The board will propose to the general meeting such number of directors as, based on the circumstances existing from time to time, is most appropriate to ensure proper representation and effective functioning of the board.

Article 8. Classes of directors

1. Deemed to be
 - (a) inside directors are those directors who are senior managers or employees of the company or its group. For these purposes, those treated as inside directors are the chairman, if he has delegated management functions, the managing director, if any, and those that in any other way have management responsibilities within the Company or any of its subsidiaries;
 - (b) proprietary outside directors are the directors who hold a shareholding interest not less than the legally determined threshold for significant holdings, or are otherwise appointed due to their status as shareholders, and the persons the appointment of which is proposed by such shareholders;
 - (c) independent outside directors are those directors appointed for their personal or professional qualities who are in a position to perform their duties without being influenced by any connection with the Company, its significant shareholders or its management, and satisfy the legal requirements and conditions imposed for that purpose;
 - (d) other outside directors are the outside directors that cannot be classified as proprietary or independent.

2. The category of each director will be explained by the board of directors to the general shareholders meeting, which must make or ratify the director's appointment. Such categorisation will be confirmed or revised annually in the annual corporate governance report, after verification by the nominating and compensation committee.

Article 9. Composition of Board of Directors

1. The board of directors, in the exercise of its authority to propose to the general meeting and its co-option authority to fill vacancies, will see to it that in this body outside directors represent a broad majority of the board and, in particular, the number of independent directors represents at least one third of the total number of directors.
2. The board will also see to it that, among outside directors, the ratio of proprietary directors to independent directors reflects the ratio of the capital of the Company represented by proprietary directors and the remainder of capital.
3. The rule of strict proportionality between the proprietary and independent directors may be relaxed, in such manner that the former are greater in number than would be applicable based on the total percentage of capital they represent, if within the Company (i) few or no share interests reach the legal threshold for significant shareholdings, despite the considerable sums actually invested, or (ii) there is a plurality of shareholders represented on the board but not otherwise related.
4. If the board of directors appoints or proposes the appointment of proprietary directors on request of shareholders whose shareholdings are less than five percent, it must explain the reasons for doing so in the annual corporate governance report. Similarly, it must state the reasons for not honouring formal requests, if any, for representation on the board from shareholders whose shareholdings are not less than others on the request of which proprietary directors have been appointed.

TITLE IV. STRUCTURE OF BOARD OF DIRECTORS

Article 10. Chairman of the board

1. The chairman of the board of directors will be elected from among its members, and will have the authority contemplated by law, in the articles of association and in this regulation, and such authority, if any, as may be given thereto by the board itself.
2. In particular, the chairman has the following powers:
 - (a) the ordinary power to call the board of directors, establish the agenda and chair its meetings;
 - (b) to preside at the general shareholders meeting, and lead the discussions and deliberations thereof; and
 - (c) to exercise the highest representation of the Company before public agencies and any sectoral or employer organisations.

3. Also, the chairman, as the person responsible for the proper operation of the board, will see to it that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of directors, safeguarding their rights to freely express and adopt positions, and will organise and coordinate with the chairmen of the board committees regular evaluations of the board and, where appropriate, the managing director or chief executive.
4. If the chairman is at the same time the managing director of the Company, the board of directors will authorise one of the independent directors, on proposal of the nominating and compensation committee, to ask the chairman to call the board of directors or include points on the agenda when deemed to be appropriate, to coordinate and reflect concerns of the outside directors and the board's evaluation of the chairman.

Article 11. Vice chairman

1. The board necessarily must appoint a vice chairmen, who will replace the chairman if unable to act or absent.
2. The board also may appoint other vice chairmen, in which case the described functions will fall on the first vice chairman, who in turn will be replaced if necessary by the second vice chairman, and so on successively. If no vice chairman can act, responsibility will lie with the earliest-appointed director, and if there is more than one such director with the oldest thereof.

Article 12. Secretary of the board

1. The board of directors will elect a secretary, the appointment of which may be of one of its members or a person not a member of the board, with capacity to perform the functions inherent in that position. If the secretary of the board of directors is not a director, it will have voice but no vote.
2. When the secretary also holds the position as legal advisor, the person appointed must be a lawyer.
3. In addition to the authority given by law and the articles of association, the secretary of the board of directors will have the following functions:
 - (a) to maintain custody of the corporate documentation, duly reflect meetings in the minute books and certify the resolutions of the collective management bodies;
 - (b) to see to the formal and substantive legality of the actions of the board of directors and its delegated bodies, verifying that they are consistent with the letter and spirit of the laws and the regulations thereof, including those approved by the regulatory agencies, as well as seeing to observance of the rules in the articles, this regulation, the meeting regulation and other internal rules and regulations of the Company;
 - (c) to verify that the recommendations regarding corporate governance accepted by the Company are followed;

- (d) generally to guide relationships of the Company with the directors in all matters related to the functioning of the board of directors, in accordance with the instructions of the chairman;
 - (e) to process applications of the directors regarding information and documentation of such matters as are to be considered by the board of directors.
 - (f) to process applications of the directors regarding information and documentation of such matters as are to be considered by the board of directors;
 - (g) any others that may be attributed to it by the board of directors.
4. The secretary will be appointed and, if applicable, removed by the full board, in both cases after a report from the nominating and compensation committee.

Article 13. Assistant secretary of the board

- 1. The board of directors may appoint an assistant secretary, which need not be a director, to assist the secretary of the board of directors or replace it if for any reason the secretary is absent.
- 2. When the assistant secretary also holds the position as legal advisor, the person appointed must be a lawyer.

Article 14. Delegated bodies of the board of directors

- 1. As provided in the articles of association, without prejudice to the delegations of authority, if any, made individually to the chairman, the managing director or any other director, the board of directors may appoint an executive committee from among its members, and will be entitled to delegate to it, in whole or in part, on a temporary or permanent basis, all authority that is not legally non-delegable, with the limitations for internal purposes deriving from Article 5. If an executive committee is formed, the board will appoint its members, in such manner that the structure of the various categories of directors participating is similar to that of the board itself, and the secretary thereof will be the secretary of the board.
- 2. The board of directors will appoint an audit and compliance committee and a nominating and compensation committee from among its members. The latter will be of a consultative nature. These committees will be governed by the provisions of law, the articles and this regulation of the board of directors of the Company. For matters not specifically contemplated therein, the operating rules established by this regulation regarding the board will apply, provided that they are consistent with the nature and function of the corresponding committee.
- 3. Also, the board of directors may establish other committees of directors, with such functions as it deems to be appropriate.

TITLE V. FUNCTIONING OF THE BOARD

Article 15. Board meetings

1. The board of directors will meet, as often as deemed to be appropriate by the chairman for the proper functioning of the Company and to adequately perform its tasks and, in any case, at least once a quarter.
2. The schedule of ordinary meetings will be fixed by the board of directors itself before the commencement of each financial year.
3. In any event, the board must necessarily meet within a maximum term of three (3) months after the close of the financial year, to prepare the financial statements, management report and proposal for application of profits.
4. The call of meetings will be made on each director by letter, fax, telegram or e-mail, and will be authorised by the signature of the chairman or, if applicable, by the secretary or assistant secretary by order of the chairman. The call will be sent a minimum of five days in advance, except as regards urgent matters, for which the call will be by the chairman 48 hours in advance. Also, the call always will include the place, date and time for the holding of the meeting, and the agenda for the meeting, if applicable attaching such information as is deemed to be necessary.
5. The board of directors also will meet when so requested by at least one third of its members or two of the independent directors, in which case it must be called by order of the chairman. The same directors will be entitled to require the president to include certain matters in the call for any meeting of the board, without prejudice to the right of proposal corresponding to each director.
6. Furthermore, any directors representing at least one third (1/3) of the members of the Board of Directors may call a board meeting, indicating the agenda, to be held in the city where the registered address is located if, further to the Chairman's request, the latter is unable to call the meeting within a term of one month, without justified cause.
7. If the chairman is at the same time the managing director of the Company, the board of directors will authorise one of the independent directors, on proposal of the nominating and compensation committee, to ask the chairman to call the board of directors or include points on the agenda when deemed to be appropriate.
8. Without prejudice to the foregoing, the board will be deemed to have been validly constituted, without need of call, when all directors are present or represented and unanimously accept the holding of the meeting on a universal basis, and the matters to be dealt with at the meeting.
9. If no director objects, the board also may adopt written resolutions without need of holding a meeting, in accordance with the provisions of the Capital Companies Act, the Commercial Registry Regulation and the articles of association, in which case the vote may be issued in writing or by e-mail, provided that the identity of the director issuing the vote is assured.

10. Technical experts, both internal to the Company and external, may attend meetings of the board as invitees, to provide assistance to the directors when so deemed necessary by the chairman of the board of directors.

Article 16. Place held

1. The meetings of the board and its committees will be held at the registered office of the Company or at the place, within Spain or abroad, indicated in the call.
2. Notwithstanding the foregoing, meetings of the board and its committees may be held using remote means of communication if any of the members cannot attend the place fixed for the meeting in the call, provided that in the judgment of the Chairman there are no circumstances making that inadvisable.
3. Directors not physically attending the meeting that use means of communication allowing it to be held on a simultaneous and reciprocal basis with the place of the meeting and with the other members using remote means of communication will be considered to be in attendance for all purposes and may issue their votes by way of the means of communication used.

Article 17. Conduct of meetings and adoption of resolutions

1. In order for resolutions within the authority of the board of directors to be valid, it will be necessary for at least the majority of the board members to attend, either present or represented, at the meetings at which they are adopted.
2. Directors must attend meetings of the board, for which reason absence will be reduced to indispensable cases. When they cannot attend in person, they will arrange for special written proxies for each meeting to another member of the board, to the extent possible with instructions. Independent directors may only grant proxies to another independent director. Proxies may be granted by any postal, electronic or fax mechanism, provided that the identity of the director and the sense of the instructions are assured, where relevant.
3. The chairman will organise the discussion, ensuring and encouraging the participation of all directors in the deliberations of the body.
4. The directors, and if applicable the secretary, must clearly state their opposition when they believe any proposed decision submitted to the board may be contrary to the corporate interest. They, in particular independent directors, will also do so regarding decisions that may harm shareholders not represented on the board.
5. Except in cases in which the law or articles specifically establish other voting majorities, resolutions will be adopted by absolute majority of the directors present at the meeting in person or by proxy. In the event of a tie, the chairman will not have a casting vote.
6. The secretary will prepare minutes of meetings of the board of directors, which will be signed at least by the chairman or vice chairmen, if applicable, and the secretary or assistant secretary, if applicable. Minutes will be transcribed or inserted, as provided by law, in a special book of board minutes.

7. The minutes will be approved by the board of directors itself, at the end of the meeting or at the next following meeting, unless the immediacy of scheduling of the meetings does not so allow, in which case they will be approved at a later meeting.
8. To facilitate implementation of resolutions and, if applicable, attesting them as public documents, minutes may be partially approved, each of the approved parts including one or more resolutions.
9. When the directors or the secretary express concerns regarding any proposal or, in the case of directors, regarding the Company's performance, or regarding proposals that they consider to be contrary to the corporate interest or the interests of the shareholders not represented on the board, and such concerns are not resolved at the meeting, they on request of the one stating the concerns will be reflected in the minutes.

TITLE VI. APPOINTMENT AND REMOVAL OF DIRECTORS

Article 18. Appointment of directors

1. Directors will be appointed by the general meeting or the board of directors, in accordance with the provisions in the Capital Companies Act and the articles of association.
2. Proposals for appointment of directors submitted by the board of directors for consideration of the general meeting and the appointment resolutions adopted by that body by virtue of the co-option authority legally attributed to it must be preceded by:
 - (a) the corresponding proposal of the nominating and compensation committee, in the case of independent directors; and
 - (b) the report of the nominating and compensation committee, in the case of other directors.
3. When the board departs from the proposals of the nominating and compensation committee it must state the reasons for so acting in the minutes.
4. The Company will provide the assistance necessary in order for the new directors to rapidly acquire sufficient knowledge of the Company, and its corporate governance rules, for that purpose being entitled to establish orientation programmes. Similarly, it will also offer directors refresher courses when circumstances make that advisable.
5. Directors may not be appointed if, in addition to the board of the Company, they are members of more than six (6) boards of directors of commercial companies. For these purposes, boards of which a director is a member as a proprietary director proposed by the Company or by any company in its group, and those not involving actually engaging in a commercial business, will not be taken into account.
6. The board will see to it that procedures for selection of directors do not suffer from implicit bias making selection of female directors difficult, and will cause the Company deliberately to seek and include as potential candidates women meeting the professional profile sought.

Article 19. Appointment of outside directors

1. The board of directors (and the nominating and compensation committee within the scope of its authority), will see to it that the proposals of candidates sent to the general meeting for appointment as directors, and appointments made directly to fill vacancies in exercise of their authority to do so, are of honourable, suitable persons of recognised solvency, competence and experience, exerting particular effort regarding those called to fill positions as independent directors as contemplated in article 9 of this regulation.
2. Independent directors are those appointed for their personal or professional qualities who are in a position to perform their duties without being influenced by any connection with the Company, its shareholders and its management.
3. In particular, the following may not be proposed or appointed as independent directors:
 - (a) former employees or inside directors of group companies, unless three (3) or five (5) years have elapsed, respectively, from the end of the relationship;
 - (b) those who have received some payment or other form of compensation from the company or its group in addition to their directors' fees, unless the amount involved is not significant.

Dividends or pension supplements received by a director for prior employment or professional services will not count for the purposes of that section, provided such supplements are non contingent, i.e. the paying company has no discretionary power to suspend, modify or revoke their payment, and by doing so would be in breach of its obligations;

- (c) those who are or within the past three (3) years have been partners in the external auditor or the firm responsible for the audit report, during the said period, of the Company or any other company in its group.
- (d) inside directors or senior managers of another company where any inside director or member of the management team of the Company is an outside director;
- (e) those having material business dealings with the Company or any company in its group or who have had such dealings in the preceding year, either on their own account or as the significant shareholder, director or senior manager of a company that has or has had such dealings.

Business dealings are the provision of goods or services, including financial services, as well as advisory or consultancy relationships;

- (f) significant shareholders, inside directors or senior managers of an entity that receives significant donations from the Company or its group, or has done so in the past three (3) years.

This provision will not apply to those who are merely trustees of a foundation receiving donations;

- (g) spouses, partners maintaining an analogous affective relationship or close relatives (parientes hasta de segundo grado) of an inside director or member of the management team of the Company;
- (h) any person not proposed for appointment or reappointment by the nominating and compensation committee;
- (i) those in any of the situations listed in (a), (e), (f) or (g) of this section in relation to a significant shareholder or a shareholder with board representation. In the case of the family relationships indicated in (g), the limitation will apply not only in connection with the shareholder but also with his proprietary directors in the investee company.

Proprietary directors disqualified as such and required to resign due to the sale of shares by the shareholder they represented, may only be re-elected as independent directors once that shareholder has sold all of its shares in the Company.

- (j) A director with shares in the Company may qualify as independent, provided he meets all the conditions stated in this section and the holding in question is not significant in the sense of the applicable regulations.

Article 20. Term of office

1. The directors will serve during the term contemplated in the articles, for so long as the general meeting does not resolve to remove them and they do not resign their positions.
2. Directors may be re-elected one or more times for periods of the same duration. In the case of independent directors, they may be re-elected provided that they do not remain as such for a continuous term of more than twelve (12) years.
3. Such vacancies as may occur may be filled by the board of directors by co-option, in accordance with law, on an interim basis until the first general shareholders meeting held thereafter, which may confirm the appointments, elect the persons that are to replace directors that are not ratified or eliminate the vacant positions.
4. The appointment of directors will lapse when, the term having concluded, the following general meeting has been held or the legal term for holding the meeting that is to resolve on approval of the accounts for the preceding fiscal year has passed.

Article 21. Resignation and removal of directors

1. Directors will cease to act as such when the term for which they were appointed has elapsed, when so resolved by the general meeting in exercise of the authority corresponding to it and when they resign.
2. Directors will place their directorships at the disposal of the board of directors and formally tender their resignations, if the Board deems it to be desirable, in the following circumstances:

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- (a) when they are affected by any of the circumstances of disqualification or prohibition contemplated in provisions of a general nature and the articles of association;
 - (b) when by reason of facts attributable to the director in his capacity as such there has been serious damage to the credit and reputation of the company, or he loses the commercial and professional honour necessary to be a director of the Company;
 - (c) when they cease to serve in the management positions with which, if applicable, their appointment as directors was associated;
 - (d) when they are tried for alleged criminal offenses or subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities; and
 - (e) when remaining on the board could endanger the interests of the Company or the reasons for which they were appointed disappear; in particular, in the case of proprietary outside directors, when the shareholder they represent sells or transfers all or a part of its interest in a manner that results in its losing status as a significant shareholder or shareholder with an interest sufficient to justify the appointment.
3. In any of the cases indicated in the preceding section, the board of directors, in light of the specific circumstances, may require that the director resign the position and, if applicable, propose the director's removal to the general meeting. Without prejudice to notice of the removal as a material disclosure, the board will state the reason for the removal in the annual corporate governance report.
 4. The directors affected by proposed removals will refrain from participating in deliberations and votes dealing with them.
 5. The board of directors may only propose removal of an independent director prior to the end of the articles term when there is just cause, found by the board of directors after a report from the nominating and compensation committee. For these purposes, just cause is breach of the duties inherent in the position, or having been affected by any of the circumstances contemplated in section 2 of this Article. Such removal may also be proposed as a result of public tender offers, mergers or other similar corporate transactions resulting in a significant change in the capital structure of the Company.
 6. When a director leaves office before the end of the term, by resignation or otherwise, the director must explain the reasons therefor in a letter to be sent to all members of the board.

TITLE VII. DIRECTOR INFORMATION

Article 22. Rights of information and examination

1. A director has a duty diligently to keep abreast of the progress of the Company. For that purpose, the director may request information regarding any aspect of the

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Company, and examine its books, records, documents and other documentation. The right of information extends to investee companies if possible.

2. Exercise of the right of information will first be channelled through the chairman of the board of directors, which will forward the request to the appropriate spokesman for the Company. If in the judgment of the chairman the information is confidential, it will advise the requesting and receiving director of that circumstance and the duty of confidentiality, in accordance with the provisions of law and this regulation.

Article 23. Expert assistance

1. In order to be assisted in the performance of their duties, outside directors may request the engagement, at the expense of the Company, of legal, accounting, technical, commercial, financial and other expert advisors. Such advice must necessarily relate to specific problems of a degree importance and complexity that arise in the discharge of the directors' duties.
2. The request to engage the advisor will be channelled through the chairman of the board of directors of the Company, which may subject it to prior authorisation of the board of directors, which may be denied when there are reasons so justifying, including the following circumstances:
 - (a) it is not necessary for proper performance of the functions entrusted to the outside directors;
 - (b) the cost thereof is not reasonable in view of the importance of the problem and the assets and income of the Company;
 - (c) the technical assistance sought may be adequately provided by experts and technicians of the Company; or
 - (d) it may result in a risk to the confidentiality of the information that is to be provided to the expert.

TITLE VIII. DIRECTOR DUTIES

Article 24. General obligations

1. In the performance of their duties, directors will act in good faith and with the diligence of an organised businessman and loyal representative, always acting in the corporate interest.
2. Without prejudice to the obligation to fulfil the duties imposed by the Capital Companies Act and the articles of association, a director in particular is required:
 - (a) to prepare adequately for meetings of the board and, if applicable, the delegated bodies to which the director belongs, being required diligently to keep abreast of the progress of the Company and the matters to be dealt with at those meetings;

- (b) to attend the meetings of the board of directors and actively participate in the deliberations, in order for the director's views to effectively contribute to the process of decision making. If a director, for just cause, cannot attend a board meeting that has been called, the director must give instructions to a director to represent him;
- (c) to perform any specific task assigned to him by the board of directors or any of its delegated and/or consultative bodies that is reasonably within his time commitment;
- (d) to notify the board or the competent body of the Company of any irregularities in management of the company that have come to his attention;
- (e) to ask those having authority to do so to call an extraordinary meeting of the board to deal with the matters he deems to be appropriate, or include them on the agenda of the next meeting to be held;
- (f) to oppose resolutions contrary to law, the articles or the corporate interest, to request recording in the minutes of his position when he believes it to be more appropriate to the protection of the corporate interest and to challenge or, if applicable, seek annulment of such resolutions; and
- (g) to contribute his strategic vision, and innovative ideas, judgment and resources for optimum development and evolution of the Company's business.

Article 25. Duty of confidentiality and private information

1. A director, even after ceasing to serve as such, will maintain secrecy regarding the deliberations of the board of directors and the delegated bodies of which he is a part and, in general, will refrain from disclosing information, data, reports or background to which he has had access while serving as a director, or using them for his own benefit or that of any third party when that could have consequences harmful to the corporate interest
2. An exception to the duties referred to in this article is made for those circumstances in which the law permits communication or disclosure to third parties or, if applicable, when the information is required by or must be submitted to the respective supervisory authorities, in which case the disclosure must comply with the applicable legal provisions.
3. Without prejudice to the obligations of directors regarding privileged information and material information of the Company on the terms referred to in the securities market legislation, the directors will refrain from using any private information for their own benefit or that of third parties.

Article 26. Non-compete obligation

1. A Director may not, on his own behalf or on behalf of another, directly or indirectly, engage in any activity constituting direct and effective competition with the Company's business. The functions and positions that may be held by the Company in subsidiaries or investee companies are excepted.

2. The non-compete obligation contemplated in the preceding section may be waived by the Company, by resolution of the general meeting on proposal of the board of directors, when, based on the circumstances, the interests of the Company are not harmed or placed at risk. In this regard, any waiver will require a prior report of the audit and compliance committee.
3. For these purposes, directors must give notice of the direct or indirect interests they hold in another company with a business that is the same as, analogous to or complementary to the business that constitutes the corporate purpose and also must give notice of the positions or functions held or exercised therein, as well as engaging in a business, on their own behalf or on behalf of another, which is the same as, analogous to or complementary to the business that constitutes the purpose of the Company. This information will be included in the annual corporate governance report and in the notes to the financial statements.

Article 27. Conflict of interest

1. A conflict of interest will be deemed to exist in those situations in which the interest of the Company or the companies in its group is in direct conflict with the personal interest of the director. There is a personal interest of a director when the matter affects it or a related person.
2. For purposes of this regulation persons related to directors are those treated as such under current article 231 of the Capital Companies Act.
3. Conflicts of interest will be governed by the following rules:
 - (a) A director will avoid situations that could result in a conflict of interest between the Company and the director or related persons;
 - (b) In any event, a director will, upon learning thereof, advise the board of directors of the existence of conflicts of interest; and
 - (c) In any event, a director must refrain from attending and participating in the deliberations and votes affecting matters in which the director is personally interested. In this regard, the votes of the directors affected by the conflict that are to refrain from voting will be subtracted for purposes of computation of the necessary voting majority.
 - (d) In any event, all conflicts of interest involving directors will be disclosed in the annual corporate governance report and in the notes to the financial statements.
4. A director may not directly or indirectly undertake professional or commercial transactions with the Company, absent prior disclosure of the conflict of interest situation and board of directors approval of the transaction, after a report from the audit and compliance committee.

Article 28. Use of corporate assets

1. Directors may not use the assets of the Company or use their position in the Company to obtain an economic advantage, unless appropriate compensation is paid.

2. By way of exception, a director may be exempted from the obligation to give consideration, but in this case the economic advantage will be treated as indirect compensation and must be authorised by the board, with a prior report of the nominating and compensation committee. If the advantage is received in the director's capacity as a shareholder, it will only be allowed if the principle of equality of shareholders is respected.

Article 29. Business opportunities

1. A director may not, on his own behalf or on behalf of related persons, take advantage of a business opportunity of the company within the ordinary course of its business, unless the investment or transaction has previously been offered to the Company, the Company has declined participation therein without influence of the director, and the director's taking advantage of the transaction was authorised by the board, after a report from the audit and compliance committee.
2. For purposes of the preceding section, a business opportunity is any possibility of making an investment or engaging in a commercial transaction that has arisen or been discovered in connection with the exercise of the director's duties, or through the use of Company resources and information, or under circumstances making it reasonable to believe that the offer of the third party in fact was addressed to the Company.
3. Also, a director must refrain from using the name of the Company and invoking his status as a director of the Company when engaging in transactions on his own behalf or on behalf of related persons.

Article 30. Indirect transactions

A director violates his duty of loyalty to the Company if, with prior knowledge, he allows or does not disclose the existence of transactions undertaken by related persons that have not been submitted to the conditions and controls contemplated in the preceding Articles.

Article 31. Reporting duties

1. A director must advise the Company of the shares thereof of which he is the owner, directly or indirectly through related persons, all of the foregoing in accordance with the provisions of the internal code of conduct for matters related to the securities markets.
2. A director also must advise the Company of the positions he holds and activities he undertakes in other companies and, in general, of his other professional obligations, and of any fact or circumstance that could interfere with the required dedication or be relevant to his acting as an administrator of the Company.
3. A director must advise the Company of such circumstances as affect him and may harm the credit or reputation of the Company, in particular of criminal actions in which the director appears as an accused, and significant procedural developments therein. After examining the situation, the board may require that the director present his resignation, which decision must be respected by the director.

4. A director must provide the Company with an e-mail address and mobile telephone number so that meetings of the board of directors may be called by these means, if so desired, and the corresponding information may be provided to him.

TITLE IX. DIRECTOR COMPENSATION

Article 32. Director compensation

1. The compensation of directors will consist of a fixed monthly stipend and per diems for attending meetings of the board of directors and its committees. The maximum amount of compensation to be paid by the Company to its directors in these categories will be the amount determined for that purpose by the general shareholders meeting, which will remain in effect until an amending resolution.
2. The board of directors, within the maximum set by the general shareholders meeting, each financial year will fix the specific amount to be received by each of the directors, it being permissible for it to vary the amount to be received by each of them based on:
 - (a) the director's membership or lack of membership on a delegated body of the board;
 - (b) the positions the director occupies therein or, in general,
 - (c) the director's dedication to administration tasks or service to the Company.
3. The board will see to it that compensation is reasonable and consistent with compensation paid in the market as regards companies of similar size and activity.
4. The compensation deriving from membership on the board of directors, will be compatible with and independent of such other professional or employment compensation as may correspond to the directors for the performance of management work or for advice other than the group supervision and decision-making inherent in their capacities as directors, which will be subject to the applicable legal scheme.
5. Inside directors may be compensated by delivery of shares of the Company or another group company to which they belong, options thereon or instruments indexed to their price.

When dealing with shares of the Company or instruments indexed to the price thereof, the compensation must be resolved by the general shareholders meeting. The resolution, if applicable, will state the number of shares to be delivered, the price of exercise of the option rights, the value of the shares taken as a reference and the term of this form of compensation.

Ownership of shares and the ability to exercise stock options and rights of acquisitions of shares or compensation based on changes in the prices thereof will be subject to predetermined and measurable performance criteria.

Ownership of shares may not be effective, nor may rights be exercised, until a minimum term of two (2) years has elapsed after the award thereof. Once full

ownership of shares is acquired, the directors must retain a minimum number of them until the ends of their terms in office, if applicable subject to the need to finance costs related to acquisition of those shares. In this regard, the number of shares retained must be equal to two times the value of total annual compensation.

6. Compensation of inside directors may also include variable compensation tied to profitability of the Company or pension schemes.

The fixed element of compensation must be sufficient so that the Company may retain the variable components if the director does not meet the performance criteria that have been established.

For any possible variable compensation, it must be ensured that such compensation bears a relationship to the professional performance of the beneficiaries, and does not derive simply from a general trend in the markets or the company's business sector, or other similar circumstances. Specifically, the variable components of compensation must:

- (a) be tied to predetermined and measurable performance criteria;
 - (b) promote the sustainability of the Company in the long term, including non-financial criteria, such as compliance with standards and procedures, that are appropriate to the creation of long-term value in the Company.
 - (c) when paid, in significant part be deferred for a minimum period of time, in order to determine whether the established performance conditions have been satisfied;
 - (d) have the part of the compensation subject to the deferred payment determined based on the relative weight of the variable component by comparison with the fixed component of compensation; and
 - (e) regarding contractual arrangements entered into with directors, include a clause allowing the Company to claim repayment of the variable components of compensation when the payment is not in accordance with those performance conditions, or when the compensation has been paid based on information the inaccuracy of which is later manifestly demonstrated.
7. Payments for termination of contract will not exceed an established amount equivalent to two years of fixed annual compensation, and will not be paid when termination of the contract is based on inadequate performance.
8. Regarding outside directors, the board will adopt all measures available to it to ensure that their compensation, including the part, if any, they receive as members of committees, is in accordance with the following criteria:
- (a) an outside director will be compensated based on actual time commitment, qualification and responsibility;
 - (b) the amount of an outside director's compensation should be calculated in a manner that offers incentives for the director's commitment, but does not constitute an obstacle to the independence thereof; and

- (c) an outside director must be excluded from compensation by way of delivery of shares, stock options or instruments indexed to the share value, as well as the pension schemes financed by the Company for cases of dismissal, death or otherwise. The foregoing limitation will not apply to compensation by way of delivery of shares, when it is conditioned on the outside directors holding the shares until they cease to be directors.
9. Directors will be entitled to payment of their justified travel expenses incurred to attend meetings of the board of directors or its committees.
10. The Company may secure civil liability insurance for its directors.
11. The compensation of outside directors and inside directors will be stated in the notes to the financial statements, broken down by each director.
12. Together with the annual corporate governance report, the board of directors must prepare and disseminate an annual report on compensation of directors, which is to include complete, clear and comprehensible information regarding the Company's compensation policy, approved by the board for the year in course and, if applicable, the policy contemplated for future years. It also will include an overall summary of how the compensation policy was applied during the financial year, and details of the individual compensation earned by each of the directors.
- This report is to be disseminated and submitted to vote on a consultative basis, as a separate point of the agenda, by the ordinary general shareholders meeting.
13. The Company will encourage all shareholders and, in particular, institutional shareholders to attend general meetings and prudently exercise their votes therein when dealing with compensation of the Directors.

TITLE X. BOARD RELATIONSHIPS

Article 33. Relationships with shareholders

1. The board of directors at any time may request from the entity responsible for book entries the information necessary for identification of the shareholders of the Company, including the addresses and means of contacting them, to allow communication therewith.
2. The board of directors will decide the appropriate channels for receiving proposals from shareholders related to the management of the Company.
3. The board, through some of its directors and with the cooperation of such members of the management team as it deems to be appropriate, may organise informational meetings regarding the progress of the Company and its group or other matters of interest to the shareholders residing in the locations of the most significant financial markets, in Spain and abroad. In its relationships with shareholders, the board of directors will guarantee equal treatment, simultaneously providing the presentations used in the informational meetings to the National Securities Market Commission, and publishing them on the Company's website.

4. The board of directors also will establish appropriate mechanisms for regular interchange of information with institutional investors holding shares of the Company. In no case may the relationships between the board of directors and those shareholders result in delivery thereto of any information that could give them a privileged or advantageous status by reference to the other shareholders.
5. The board of directors will promote informed participation by shareholders in general meetings and will take appropriate measures to enable the general shareholders meeting effectively to exercise the functions assigned to it by law and the articles of association.

In particular, the board of directors will adopt the following measures:

- (a) it will devote itself to making available to the shareholders, prior to the meeting, all information that is legally required and all such information as, without being legally required, may be of interest and reasonably provided;
- (b) it will respond with the greatest diligence to requests for information presented to it by shareholders prior to the meeting;
- (c) it will, with the same diligence, respond to questions stated by shareholders at the time of holding the meeting; and
- (d) it will see to it that the matters proposed to the meeting are voted on in an organised and separate manner, allowing the shareholders to participate by stating their opinions regarding each of the questions submitted to vote.

Article 34. Relationships with markets

1. The board of directors, by way of material disclosures to the National Securities Market Commission and on the corporate website, will immediately advise the public of all material information, on the terms established in the Securities Market Act and its implementing legislation.

In particular, the Board of Directors will immediately advise the public regarding:

- (a) Material disclosures capable of significantly influencing the establishment of market prices for the securities issued by the Company;
 - (b) Material changes in the rules of governance of the Company.
 - (c) Changes in the composition, rules of organisation and functioning of the board and its committees, or in the functions and positions of each director within the Company, as well as any other material change in the system of corporate governance.
2. The board of directors will adopt the measures necessary to ensure that semi-annual, quarterly and any other financial information that is disclosed to the markets is prepared in accordance with the same professional practices, principles and policies as the annual financial statements and is equally reliable.

3. The reporting obligations will be fulfilled by using any technical, computer or remote resource, without prejudice to the rights of the shareholder to request printed information.

Article 35. Relationships with outside auditor

1. The board of directors will establish an objective, professional and ongoing relationship with the Company's outside auditor, respecting its independence to the maximum extent.
2. The relationships referred to under the preceding number normally will be channelled through the audit and compliance committee.
3. The board of directors will publicly report the overall fees paid by the Company to the audit firm, for both audit services and other services.
4. The board of directors will arrange for definitive preparation of the financial statements in a manner that will not result in qualifications by the auditor. However, when the board concludes that its position should be maintained, it will publicly explain the substance and scope of the disagreement.

TITLE XI. BOARD COMMITTEES

Article 36. The executive committee

1. The board of directors may appoint an executive committee from among its members, of which the chairman and the managing director, if any, will be a part.
2. In the absence of a specific rule, the provisions of this regulation related to the functioning of the board of directors and, in particular, regarding the call of meetings, proxies in favour of other directors, constitution, universal meetings, scheme for adoption of resolutions and written votes without the holding of the meeting will be applicable to the executive committee, to the extent not incompatible with its nature.
3. The powers of this committee will be those that, from time to time, are delegated to it by the board within the limits of law, the articles of association and this regulation.
4. If an executive committee is appointed, it will be required to report to the board regarding the principal matters considered and the decisions in respect thereof at its meetings.
5. The chairman and secretary of the executive committee will be those that in turn are chairman and secretary of the board of directors. The structure of participation of the various categories of directors will be similar to that of the board itself.

Article 37. Audit and compliance committee

1. The board of directors will establish an audit and compliance committee, of a permanent nature, which will be comprised of a minimum of three directors and a maximum of five, appointed by the board of directors itself from among its outside

directors. In this regard, at least one of the members of the audit committee will be independent.

2. The members of the audit committee, particularly its chairman, will be appointed on the basis of their knowledge and background in accounting, auditing or risk management matters.
3. Without prejudice to such other tasks as may be assigned to it from time to time by the board of directors, the audit and compliance committee in any event will have the following authority:
 - (a) reporting to the general shareholders meeting in answer to questions raised by shareholders that fall within the scope of its responsibilities;
 - (b) supervising and reviewing the process of preparation and presentation of the regulated financial information that, in accordance with article 35 of the Securities Market Act, is to be provided by the board to the markets and their supervisory bodies, and in general seeing to compliance with the legal requirements in this area, the appropriate delimitation of the scope of consolidation and the proper application of generally accepted accounting principles, and reporting on proposals for changes in accounting principles and standards suggested by management;
 - (c) Periodically supervising and reviewing the effectiveness of the Company's internal control procedures, internal audit and risk management systems, verifying the appropriateness and completeness thereof and proposing the hiring, appointment and removal of those responsible therefor; proposing the budget for such services and verifying that the members of the management team take account of the conclusions and recommendations in its reports; and discussing with the Company's auditors such significant weaknesses in the internal control system as may be discovered in the conduct of the audit;
 - (d) proposing to the board of directors, for submission to the general shareholders meeting, the appointment of the outside auditors, as well as the conditions for hiring them, the scope of their professional assignment and, if applicable, revocation or non-renewal of the appointment;
 - (e) establishing the appropriate relationships with auditors or audit companies to receive information regarding such questions as may compromise their independence, for examination by the committee, and those of anyone else involved in the process of auditing accounts, and such other communications as may be contemplated in the legislation regarding auditing and audit standards.

In any event, annually they must receive from the auditors or audit companies written confirmation of their independence as regards the entity or directly or indirectly related entities, and information on additional services of any kind provided to these entities by the aforesaid auditors or companies, or by the persons or entities related thereto, in accordance with the provisions of the audit law.

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- (f) annually, prior to the issue of the audit report, issuing a report stating an opinion regarding the independence of the auditors or audit companies. This report in any event must opine on the provision of services in addition to audit services, ensuring respect for the existing rules in this regard, the limits on the concentration of the auditor's business and, in general, the other requirements designed to safeguard auditors' independence;
 - (g) serving as a communications channel between the board of directors and the auditors; evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter in relation to the principles and criteria applicable in the preparation of the financial statements, and examining the circumstances, if any, underlying resignation of the auditor;
 - (h) supervising compliance with the rules regarding related party transactions with directors or major shareholders or shareholders represented on the board; in particular, it will report to the board regarding such related party transactions and, in general, regarding transactions that imply or may imply conflicts of interest, for purposes of their approval, and will see to it that information in respect thereof is communicated to the market as required by law;
 - (i) supervising compliance with internal codes of conduct, in particular the code of conduct for the securities market;
 - (j) establishing an internal mechanism whereby staff can report, confidentially and, if appropriate, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the Company;
 - (k) preparing and updating a declaration of ethical values related to the reliability of financial information in compliance with applicable regulations, which will be approved by the board of directors and communicated to all levels within the organisation;
 - (l) establishing procedures to monitor respect for principles of professional integrity and ethics, and measures to identify and correct departures from those values within the organisation;
 - (m) any such others as may be attributed to it by law and other regulations applicable to the Company.
4. The audit and compliance committee will be called by the chairman of the committee, on his own initiative, or on request of the chairman of the board of directors or two members of the committee itself. The call will be sent by letter, telegram, fax, e-mail, or in any other manner allowing evidence of receipt.
5. In any event the audit and compliance committee will be called and will meet, at a minimum, on a quarterly basis, to review the periodic financial information that, in accordance with article 35 of the Securities Market Act, the board must send to the market supervisory authorities as well as the information the board of directors is to approve and include within its annual public documentation.

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6. The chairman of the audit and compliance committee will be appointed from among the outside directors or members that have no management functions within the Company, and have no contractual relationship other than the status on the basis of which they are appointed.
7. The chairman must be replaced every four years, and may be re-elected after a term of one year elapses since he left office.
8. Also, the committee will appoint a secretary and may appoint an assistant secretary, neither being required to be a member thereof. If these appointments are not made, those holding those positions on the board will act as such.
9. The audit and compliance committee may validly meet when a majority of its members attend the meeting in person or by proxy. Resolutions will be passed by a majority of the members in attendance, in person or by proxy.
10. Minutes will be prepared of the resolutions adopted at each meeting, which will be reported to the full board, sending or delivering a copy of the minutes to all members thereof.
11. The audit and compliance committee will prepare an annual report of its actions, highlighting the principal incidents, if any, that have arisen in respect of matters within its competence. In addition, when the audit and compliance committee deems it to be appropriate, it is to include proposals for improvement of the company's governance rules in the report.
12. When so requested by the committee, the members of the management team and the employees of the company are required to attend meetings of the audit and compliance committee and cooperate with it and give it access to the information available to them. The committee may also require the Company's auditors to attend its meetings.
13. When it deems it to be necessary for appropriate fulfilment of its duties, the audit and compliance committee may seek the advice of outside experts, making this circumstance known to the secretary or assistant secretary of the board, who will take responsibility for contracting for the corresponding services.
14. In the absence of a specific rule, to the extent not incompatible with its nature, the provisions of this regulation regarding the functioning of the board of directors will be applicable to the audit and compliance committee.

Article 38. Nominating and Compensation Committee

1. The nominating and compensation committee will be comprised of outside directors, the majority independent, in a number determined by the board of directors, with a minimum of three and a maximum of five. The members of the nominating and compensation committee will be appointed by the board of directors.
2. The nominating and compensation committee will appoint a chairman from among its members. The chairman will be an independent director. The chairman must be replaced every four years, and may be re-elected after the term of one year elapses since he left office.

This document is a translation of an original text in Spanish and it is provided for information purposes only. In the event of any discrepancy between both texts, the original text in Spanish will prevail.

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3. At least one of the members of the nominating and compensation committee must have knowledge and experience regarding compensation policies.
4. Without prejudice to such other tasks as may be assigned to it from time to time by the board of directors, the nominating and compensation committee in any event will have the following authority:
 - (a) evaluating the competence, knowledge, experience and level of dedication required of members of the board of directors;
 - (b) making proposals to the board of directors of independent directors to be appointed by co-option or, if applicable, for submission to decision by the general meeting, and proposals for re-election and dismissal of those directors by the Company;
 - (c) reporting on proposals of the board of directors for appointment of other directors to be appointed by co-option or, if applicable, for submission to decision by the general shareholders meeting, and proposals for re-election and dismissal of those directors by the general meeting;
 - (d) reporting on the senior management appointments and removals that the chief executive of the Company proposes to the board;
 - (e) reporting to the board on matters of gender diversity and, in particular, seeing to it that procedures for selection of directors and senior managers do not suffer from implicit bias preventing selection of women;
 - (f) proposing to the board of directors (i) the system for and amount of annual compensation of directors, (ii) the individual compensation of inside directors and senior managers and the other terms of their contracts and (iii) the basic terms of contracts of senior managers;
 - (g) analysing, formulating and periodically reviewing the compensation policy applied to inside directors and the management team, including schemes for compensation in the form of shares and the application thereof, and guaranteeing that it is proportionate to the compensation paid to other directors and members of the management team and other personnel of the Company;
 - (h) overseeing compliance with the compensation policy set by the Company;
 - (i) generally supervising compliance with the Company's applicable corporate governance rules.
 - (j) reporting to the shareholders on its performance of its duties, for this purpose attending the general shareholders meeting; and
 - (k) assisting the board in preparation of the report on the compensation policy for directors, and sending the board any other reports on compensation contemplated in this regulation.

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5. The nominating and compensation committee will meet as often as necessary, in the judgment of its chairman. The chairman must call a meeting upon request for the issuance of a report or adoption of proposals and, in any event, whenever it is appropriate to the proper exercise of its authority.
6. It will be called by the chairman of the committee, on his own initiative, or on request of the chairman of the board of directors or two members of the committee itself. The call will be sent by letter, telegram, fax, e-mail, or in any other manner allowing evidence of receipt.
7. The nominating and compensation committee may validly meet when a majority of its members attend the meeting in person or by proxy. Resolutions will be passed by a majority of the members in attendance, in person or by proxy.
8. Minutes will be prepared of the resolutions adopted at each meeting, which will be reported to the full board. The minutes will be available to all members of the board at the office of the secretary thereof, but will not be subject to sending or delivery on a discretionary basis, unless the chairman of the committee otherwise orders.
9. When so requested by the committee, the members of the board of directors, the management team and the employees of the company are required to attend meetings of the nominating and compensation committee and cooperate with it and give it access to the information available to them.
10. In the absence of a specific rule, to the extent not incompatible with its nature, the provisions of this regulation regarding the functioning of the board of directors will be applicable to the nominating and compensation committee.

TITLE XII. REPORTING POLICY

Article 39. Annual corporate governance report

1. The board of directors annually will approve an annual corporate governance report of the Company, referring to the matters contemplated by law, together with those, if applicable, it deems to be appropriate. In particular, the report must offer a detailed explanation of the structure of the company's governance scheme and its functioning in practice, in particular including a description of the principal characteristics of the internal risk control and management systems related to the process of issuance of financial information.
2. The annual corporate governance report will be approved prior to publication of the notice of call of the ordinary general meeting of the Company for the financial year in question, and will be made available to the shareholders together with the other documentation of the general meeting.
3. In addition, the annual corporate governance report will be publicised as contemplated in the securities market regulations. In particular, the report will be published as a material disclosure.

Article 40. Website

1. The Company will maintain a website (www.diacorporate.com) to respond to exercise to the shareholders' right of information and to disseminate the material information of the Company to investors. The website will include the documents and information contemplated by law, and any others determined by the board of directors, at least the following in the terms foreseen by law:
 - (a) the articles of association;
 - (b) the general meeting regulation;
 - (c) the board of directors regulation;
 - (d) the internal code of conduct on securities markets;
 - (e) the annual corporate governance report for the most recent closed financial year and prior financial years;
 - (f) the composition of the board of directors and its committees, identifying their members, positions, status and possible relationships with significant shareholders of the Company;
 - (g) the financial statements, together with the management report, and the periodic public information sent to the National Securities Market Commission;
 - (h) information regarding the call, agenda and proposed resolutions of any ordinary or extraordinary general meeting, as well as any material information that may be required by shareholders in order to cast their votes;
 - (i) information regarding the development of general shareholders meetings already held, in particular regarding the agenda, attendance at the general meeting at the time it was held, resolutions adopted stating the number of votes cast and the sense thereof for each of the proposals included on the agenda;
 - (j) the communications channels existing between the Company and the shareholders, in particular the pertinent explanations regarding exercise of the shareholders' information right, indicating the postal and e-mail addresses to which they may be sent;
 - (k) the resources and procedures for granting proxies for the general meeting;
 - (l) the resources and procedures for exercise of remote voting at the general meeting, if applicable including forms to show attendance and voting by proxy and by remote means, through telematic procedures; and
 - (m) the material disclosures notified to the National Securities Market Commission during the current financial year and the last closed financial year.
2. Specifically, within the information regarding directors the Company makes public by way of its website, updated information will be included regarding (i) their

professional and biographical profiles, (ii) other boards of directors of which they are members, whether or not listed companies, (iii) an indication of the category of director to which they belong, as applicable, in the case of proprietary directors indicating the shareholder they represent or to which they are related, (iv) the date of first appointment as a director of the Company, and the dates of subsequent appointments, and (v) the shares of the Company and options thereon owned by the director.

3. The board of directors may agree to modify, remove or transfer the website. This resolution will be recorded at the Commercial Registry or will be notified to all the shareholders and, in any case, will be published in the Official Gazette of the Commercial Registry and the website itself will announce a resolution to modify, remove or transfer within thirty (30) days following the insertion of the resolution.

TITLE XIII. EFFECTIVE DATE

Article 41. Effective Date

The regulation will be in effect for an indefinite term and will become effective on the date of official admission to trading of the shares of the Company on the stock exchanges by way of the Spanish Exchange Interconnection System (Sistema de Interconexión Bursátil).