



RULES OF PROCEDURE OF THE BOARD OF DIRECTORS OF THE NAVIGATOR COMPANY, S.A.

CHAPTER I INTRODUCTION

Article 1 (Scope)

1. These Rules of Procedure determine a set of operating rules of the Board of Directors of The Navigator Company, S.A., (hereinafter referred to as "The Navigator Company" or the "Company"), incorporating some procedures which have been followed and adopting new ones, with the aim of systematising the applicable rules and improving the operation of the Board.
2. The operation of the Board of Directors of The Navigator Company shall be governed by the provisions of the law, the articles of association and these rules.
3. The policy and the relevant mechanisms for the detection and prevention of irregularities (whistleblowing) applicable to the Board of Directors, ensuring that the appropriate channels for reporting and addressing irregularities are in place, and safeguarding the confidentiality of the information provided and the identity of the whistleblower, are laid down in the rules of procedure on the reporting of irregularities (Whistleblowing) mentioned below in clause 20.
4. For ease of access to and consultation of all the relevant provisions, without selective duplication of subject matter in these rules, the provisions of the law and the articles of association most relevant to the matters regulated herein are attached hereto.

Article 2 (Composition)

1. The Board of Directors comprises three to seventeen members, elected by the General Meeting, one of whom shall be Chairman; up to three vice-chairman may appointed from amongst the members.
2. In the event of his absence or impediment, the Chairman shall be substituted by the member of the Board of Directors designated by himself for that purpose.



**Article 3
(Powers)**

The Board of Directors shall manage the Company's business and operations, in accordance with the provisions of the Companies Code.

**Article 4
(Directors' Duties)**

In the performance of their functions, and in addition to other duties established by law or by the Company's articles of association, the directors shall:

- a) Inform themselves and prepare with diligence the meetings of the Board of Directors and of the Committees that they come to join;
- b) Attend the meetings of the Board of Directors and of the Committees which they come to join, intervening in an active and constructive manner, in order to contribute to the approval of the resolutions which are more appropriate for the pursuit of the Company's interests;
- c) Comply with the rules that are adopted from time to time by the Board of Directors concerning the distribution of functions and delegation of powers;
- d) Perform the actions and exercise, in a diligent manner, the acts and mandates entrusted to them by the Board of Directors;
- e) Comply with and ensure that all Company employees under them comply with the internal rules that, at any moment, are in force;
- f) Investigate, or ensure the investigation of, all facts concerning the activities of the Company of which they are aware and that may be an indication of the practice of illicit or harmful acts; and
- g) Treat in confidence any documents of the Company which they have access to, in the exercise of their functions, including the content of the Board meetings and preparatory information of the meetings.

**Article 5
(Relation with other Corporate Bodies)**

1. The directors may have access to all Company information and staff for assessing performance, the situation and the outlooks on the development of the Company, including, namely, minutes, documents supporting decisions taken, convening notices and records on the meetings of other corporate bodies, without prejudice to access to



all other documents or persons who may be called upon to provide clarifications.

2. The directors are required to provide to other corporate bodies and committees, in accordance with legal and statutory requirements, all information and documents which is required for the exercise of the legal and statutory duties of such bodies and committees.

CHAPTER II MEETINGS OF THE BOARD OF DIRECTORS

Article 6 (Scheduling and notice)

1. Meetings shall be scheduled as far in advance as possible, and the date of all the foreseeable meetings during the year shall be set at the beginning of the year.
2. Notice shall be given in writing of all meetings, indicating the order of business, preferably by email, even when the meeting has been scheduled in advance; albeit, the directors attending the meeting or being represented at said meetings, and those who have attended the meeting in which, in their presence, or in the presence of their representative, the date(s) and time(s) of the new meeting(s) were set, are deemed to have been given notice of the meeting.
3. Prior notice of no less than five days shall be given of unscheduled meetings; however, in case of urgency, the Board may be convened as early as possible, even if less than the delay mentioned above.
4. Meetings shall be held at the Company's head office, or elsewhere as designated in advance of each meeting by the Chairman of the Board of Directors or his substitute.

Article 7 (Order of business)

1. The meetings of the Board of Directors shall centre on discussion of the group's main business operations and on decision-making processes, and financial information shall be provided in advance, accompanied, in the case of the annual, half-yearly and quarterly reports, by the opinion of the Audit Board.
2. The order of business shall be determined by the Chairman of the Board of Directors.
3. Any director may request the inclusion of items in the order of business, which request shall be addressed to the Chairman of the Board of Directors as far in advance of the date of the meeting as possible, preferably within twenty-four hours after being convened, accompanied by the respective supporting documents for distribution to other directors.



4. The supporting documents relating to the various items on the order of business shall be distributed by the Company Secretary to all directors, sufficiently in advance so as to permit the directors to examine them in due time, preferably with the notice convening the meeting.
5. The content of Board meetings is of a confidential nature, as are the documents concerning the preparation and conduction of the meetings.

Article 8
(Attendance)

1. In addition to the directors and the Company Secretary, meetings of the Board of Directors may be attended by Company staff or even third parties, when invited by the Chairman or as requested by any director and accepted by the majority of the directors present or represented, as may be convenient in view of the matters to be discussed.
2. The attendance of any Company staff or third parties of any meeting of the Board of Directors binds the former to maintain confidentiality of all subjects discussed at the meetings.
3. Any member of the Audit Board may attend all meetings of the Board of Directors, irrespective of invitation, and for this purpose all notices of meetings and the respective orders of business shall be sent to the Chairman in due time.

Article 9
(Absence)

1. When possible, directors not attending meetings of the Board of Directors shall notify the Company Secretary in advance, providing the reasons for absence.
2. When sufficient information is provided, at the relevant meeting the Board of Directors shall issue its opinion on the excuse for absence, in accordance with Article 393 no. 1 of the Companies Code.
3. If it is not possible for the director to justify his absence beforehand, he shall inform the Secretary of the Company of such reason until the meeting of the Board of Directors held after the meeting in which he was absent, in which case the Board of Directors shall give its opinion on the justification at the meeting following communication to the Secretary of the Company.
4. An absence shall be considered justified if the grounds are not refused by the Board of Directors until the end of the second meeting following the communication of such grounds to the Company Secretary.



5. In the event of his temporary absence or impediment, the Chairman of the Board of Directors shall be replaced, in the following order, by: (i) A director appointed by himself for that purpose; (ii) The Vice Presidents, according to their age; (iii) The CEO and (iv) Other directors, according to their age, without prejudice to the statutory powers concerning voting rights.

Article 10
(Representation)

1. Proxy letters from absent directors who wish to be represented shall be submitted by the start of the meeting, but no proxy may be used more than once.
2. Postal votes may be cast by absent directors in any written form, open or closed, addressed in all cases to the Chairman of the Board of Directors, and shall be presented by the time of the vote.
3. The Company Secretary shall provide directors on request with proxy forms and postal voting forms.

Article 11
(Minutes)

1. The minutes of each meeting, ordinary or extraordinary, shall be drawn up by the Company Secretary, or whom the Chairman of the Board may designate, and recorded in the specific book for this purpose, after approval by the Board of Directors.
2. The draft minutes shall be circulated by email for the approval of all members of the Board of Directors present at the meeting, and shall only be submitted for a formal resolution at the next meeting if a consensus cannot be reached by email.
3. Procedures shall be established for follow-up of resolutions adopted at previous meetings, in order to assure that the execution of these decisions is monitored by the Board of Directors.

CHAPTER III
EXECUTIVE COMMITTEE

Article 12
(Exclusion from delegation)

In addition to the matters provided in the Commercial Companies Code, the following may not be generally delegated:

- a) The definition of the strategy and main policies of the Company, although the Board of Directors may delegate to the Executive Committee the drafting of the preliminary strategic plan and investment policy, subject to the approval of the Board of Directors;



- b) The organisation and coordination of the business structure; and,
- c) Matters that should be considered strategic, by virtue of the amounts involved, the risk, or special characteristics.

Article 13
(Rules of Procedure)

The act delegating powers may establish the rules of procedure for the Executive Committee, which rules shall be reduced to the minimum deemed essential. The Executive Committee itself shall have discretion to organize its own procedures.

Article 14
(Coordination with the Board of Directors)

- 1. The Chairman of the Board of Directors shall notify the Company directors, at the start of all meetings of the Board of Directors, of the most relevant resolutions and acts of the Executive Committee since their last meeting, of which the other directors may not yet have been informed.
- 2. Minutes shall be drawn up of all Executive Committee meetings; these shall be kept by the Company Secretary and made available to any member of the Board of Directors or of the Executive Committee that requests them.
- 3. The Chairman of the Executive Committee shall, as far as possible, seek to involve non-executive directors in specific projects and acts in order to allow them to follow and maintain close contact with the Company's activities, depending on the matters involved and their specific qualifications and interests.
- 4. All executive directors shall be available to provide explanations and information as requested by the non-executive directors; however, enquiries shall preferably be addressed to the Chairman of the Executive Committee.

CHAPTER IV
OTHER COMMITTEES AND OFFICES

Article 15
(Specialized Committees)

- 1. The Board of Directors shall set up the following commissions, in addition to those defined in the articles of association, for purposes of definition and control of the implementation of strategic decisions and supervision of specific management sectors:
 - a) Corporate Governance Committee;
 - b) Sustainability Forum;



- c) Pension Fund Committee;
 - d) Asset Risk Analysis and Monitoring Committee;
 - e) Ethics Committee;
 - f) Other committees, as may be deemed to be strategically relevant from time to time.
2. The powers, composition and procedures of the Committees to be set up shall be defined in rules of procedure, to be approved specifically for each committee by the Company's Board of Directors.

Article 16

(Corporate Governance Committee)

The Board of Directors shall set up, and in the same act lay down the respective rules of procedure for, a corporate governance committee with the aim of ensuring the ongoing supervision of compliance by the Company of the legal, regulatory and statutory provisions that apply to corporate governance, and foster the reflection on, and improvement of, the adopted corporate governance model.

Article 17

(Investor Relations Office)

The Board of Directors shall organize an investor relations office to ensure contacts with the market and equal access to information by shareholders and investors.

Article 18

(Assigning portfolios and setting up other Committees)

1. The Board of Directors may commission, in particular, one or more of the directors to deal with certain matters of administration, assigning them portfolios, and set up specialized Committees, with or without the presence of its members, to monitor specific matters.
2. The resolution of the Board of Directors that determines the creation of any Committee shall specify its specific tasks, define its composition, appoint its Chairman and establish, by regulation, its operating modes or, alternatively, refer to each of the Committees concerned the organisation of its operation and the subsequent adoption of its regulation, whichever it deems to be most appropriate for each case.



CHAPTER V
SPECIFIC POWERS AND DUTIES IN THE FIELD OF
RISK MANAGEMENT

Article 19
(Risk Management)

1. The Board of Directors shall set up a risk management system, and define its rules, with the aim of detecting, controlling and managing relevant risks in the Company's activities, without prejudice to risk control matters that are assigned to the Asset Risk Analysis and Monitoring Committee.
2. The Board of Directors shall approve the Company's risk policy for each financial year, which shall identify, without limiting:
 - a) The main risks to which the Company is subject in the development of its activities and the levels of risk considered acceptable to the Company;
 - b) The likelihood of occurrence of such relevant risks and their impact on the Company's activities;
 - c) The tools and measures that must be adopted to mitigate the risks identified as relevant for the Company's activities.
3. The division which is a part of this system shall monitor the implementation of the Company's risk policy, without prejudice to its annual evaluation by the Board of Directors in the context of the annual assessment of the level of internal compliance with and performance of the risk management system and the prospective changes to the previously defined risk framework.
4. The activities of the division which is responsible for this system shall not overlap with those of the Audit Board; such division shall provide the clarifications and information deemed necessary by the Audit Board to supervise and evaluate the risk management process that is in effect in the Company every year, and its size and functions must be compatible with the size of the Company.

CHAPTER VI
SPECIFIC POWERS AND DUTIES IN THE FIELD OF CORPORATE GOVERNANCE

Article 20
(Regulatory duties)

The Board of Directors shall approve and assure effective implementation of the following regulations:



- a) Rules of procedure on the reporting of irregularities (whistleblowing), setting the framework and rules for reporting, by collaborators, of irregularities which allegedly took place within the Company;
- b) Code of Ethics and Conduct, which establishes the essential ethical and professional rules of conduct to be complied with by all collaborators of The Navigator Company, and the arrangements to control compliance therewith; and
- c) Regulation of Conflicts of Interests and Related Party Transactions, which establishes ways of preventing, identifying and resolving conflicts of interest between the directors and senior management of the Company and the interests of the Company, and defines which related party transactions must be previously approved by the Board of Directors and related party transactions requiring also prior favourable opinion of the Audit Board. The approval of this Regulation is subject to prior favourable opinion of the Audit Board.

Article 21

(Communication of related party transactions)

The Board of Directors shall communicate to the Audit Board, at least every six months, all related party transactions subject to prior approval by the Board of Directors, as well as all related party transactions that also require a prior favourable opinion of the Audit Board, as defined in the Regulation on Conflict of interests and Related Party Transactions.

Article 22

(Duties relating to specific acts)

- 1. The Board of Directors shall evaluate its performance annually, as well as the performance of the Executive Committee and of other Committees and managing directors, if any, taking into account the compliance with the Company's strategic plan and budget, risk management, its internal operation and the contribution of each member to that purpose, and the functioning between the Company's Bodies and Committees, identifying the ways in which such performance may be improved.
- 2. On the basis of the work carried out by the Corporate Governance Committee, the Board of Directors shall conduct an annual review of the corporate governance model adopted, identifying any constraints to its operation.
- 3. The Board of Directors shall also report yearly on the activities carried out by non-executive directors, referring to any constraints they may have encountered.



Article 23
(Conflicts of Interest)

1. When any director considers that there is a situation or a fact that constitutes or may determine the existence of conflict of interest, in accordance with the Regulation on Conflicts of Interests and Related Party Transactions, the director is required to report such situation or fact to the Chairman of the Board of Directors with the appropriate notice.
2. The director who has an interest in conflict with the interests of the Company may not vote on resolutions concerning such interest, and is required to provide all information and clarifications which the other directors may request.

Article 24
(Performance of other administrative duties)

1. The directors in the Executive Committee may not perform executive functions in entities outside of the Company's group, except if the activity of such entities is deemed to be ancillary or complementary to the group's activity or is not very time-consuming.
2. The directors who are not in the Executive Committee may perform management functions (executive or not) in entities outside of the Company's group, where such companies do not carry out activities that compete with that of the Company, or in companies directly or indirectly held by the Company, and the Chairman of the Board of Directors must be notified before the start of such functions.
3. For the purposes of complying with the provisions of this article, the directors undertake to submit annually to the Chairman of the Board of Directors a disclosure of the positions they occupy in corporate bodies.

Article 25
(Support Services)

1. The Company Secretary shall be responsible for supporting the operation of the Board of Directors, and all requests for clarifications and information of an administrative nature shall be addressed to him.
2. All directors shall provide the Company Secretary their updated telephone numbers, postal and email addresses, including contact details which may be used in urgent situations.



Article 26
(Entry into Force and Amendments)

1. These rules of procedure enter into force on the date of their approval.
2. Any amendment to the rules may only be approved by the Board of Directors.

Setubal, 13 December 2018

The Board of Directors,

**ANNEX I****To the Rules of Procedure of the Board of Directors of Navigator****Articles 15 to 21 of the Articles of Association****Section II****Management****Article Fifteen**

1 - The Board of Directors is comprised by a number of members, from between three to seventeen, elected by the General Meeting.

2 - The meeting that elects the Board of Directors shall also appoint the Chairman and, if necessary, may also elect extra directors until the legal limit.

3 - The number of directors not being specifically set by the General Meeting, the aforementioned number shall be considered to be that of the directors effectively elected.

4 - One of the directors may be elected among the persons proposed in lists subscribed and presented by shareholders groups, as long as none of those groups detain shares representing more than 20% and less than 10% of the share capital.

5 - In case there are proposals according to the previous number, the election will be done separately and before the election of the rest of the directors.

6 - The same shareholder cannot subscribe more than one list.

7 - Each list must have at least the identification of two eligible persons for the charge to be filled.

8 - If more than one group presents a list, the voting will fall upon all those lists.

Article Sixteen

The Board of Directors has jurisdiction to practice all the acts needed to insure the management and development of the company and namely those that are not explicitly committed in the jurisdiction conferred by these by-laws and law to any other corporate bodies.

Article Seventeen

The Board of Directors may delegate the day-to-day management of the company to one director or to an executive committee comprised by three to nine members, may also designate up to three Vice-Presidents among the Board members.

Article Eighteen

1 - It is particularly the responsibility of the Chairman of the Board of Directors:



- a) To coordinate the activity of the Board of Directors, as well as to call and to conduct the respective meetings;
- b) To cast the deciding vote;
- c) To ensure the proper implementation of the resolutions of the Board of Directors.

2 - In the event of absence or impediment, the member of the Board of Directors whom he delegates for this purpose shall replace the Chairman.

Article Nineteen

1 - The company assumes obligations:

- a) By means of the signature of two directors;;
- b) By means of the signature of one or more directors to whom the powers to do so have been delegated;
- c) By means of the signature of attorneys acting in accordance with the terms of the pertinent powers of attorney;

2 - In the matters of mere expediency the signature of a single director or of a member of the staff of the company authorised for this purpose shall suffice.

Article Twenty

1 - The Board of Directors must meet, at least, once per quarter of a year, when and where the social interest demands, once called, verbally or by written, by the Chairman or two other directors.

2 - Any director may be represented in each meeting by another director, who will exercise the right to vote in name and under the responsibility of the represented director.

3 - The power of attorney is committed through a simple letter or fax addressed to the Chairman.

4 - The Board of Directors may not deliberate unless the majority of its members in office are present or represented.

5 - The representation of more than two directors at each meeting is not permitted.

Article Twenty-One

1 - The remunerations of the directors, which may be different, shall be established by a remunerations committee elected by the General Meeting for such purpose, for periods of four years.

2 - The General Meeting may deliberate on the attribution of a pension scheme, or of supplementary pension schemes of the directors, in accordance with the regulations to be approved.

**ANNEX II****To the Rules of Procedure of the Board of Directors of Navigator
(articles 390 to 412 of the Companies' Code)****Article 390****Composition**

- 1 – The board of directors shall be composed of the number of directors stated in the articles of association.
- 2 – The articles of association may provide for the company to only have one director, provided that the share capital does not exceed 200,000 Euro. Those provisions relating to the board of directors which do not assume a plurality of directors shall apply to the sole director.
- 3 – Directors do not have to be shareholders, but must be individuals with full legal capacities.
- 4 – In the event of a legal person being appointed as a director, it must appoint an individual to exercise the office in their own name. The legal person shall share liability with the person appointed by it.
- 5 – The articles of association may authorise the appointment of deputy directors, up to a number equalling one third of the number of permanent directors.

Article 391**Appointment**

- 1 – Directors may be designated in the articles of association or elected by the general meeting or incorporation meeting.
- 2 – The articles of association may stipulate that the appointment of directors be approved by votes corresponding to a certain percentage of the capital or that the appointment of any of these, in a number not exceeding one third of the total, must also be approved by the majority of votes conferred by certain shares, however the right to appoint directors must not be conferred by certain categories of shares.
- 3 – Directors shall be appointed for the period fixed in the articles of association, which shall not exceed four calendar years, counting the year in which the directors were appointed as a full calendar year. If the articles of association do not specify, it shall be understood that the appointment shall be for four calendar years, and re-election shall be permitted.
- 4 – Although appointed for a fixed period of time, directors shall remain in office until such time as a new appointment is made, notwithstanding the provisions of Articles 394, 403 and 404.
- 5 – The appointed person may manifest their acceptance of the post expressly or tacitly.
- 6 – Directors shall not be permitted to be represented in the discharge of their office, except in the case provided for in Article 410.5 and notwithstanding the possibility of delegating powers in cases where this is permitted by law.



7 – The provisions set forth in the previous paragraph do not exclude the faculty whereby the company may, through the intercession of the directors who represent it, appoint professional representatives or attorneys to practice certain acts or categories of acts, without the need for an express clause in the articles of association.

Article 392

Special Rules of Appointment

1 – The articles of association may establish that, for a number of directors not exceeding one third of the corporate body, isolated appointments may be made, from persons proposed on lists drawn up by groups of shareholders, provided that none of these groups possesses shares representing more than 20% and less than 10% of the share capital.

2 – Each of the lists referred to in the previous paragraph must propose at least two persons for appointment to each of the offices to be filled.

3 – The same shareholder must not draw up more than one list.

4 – If, in an isolated appointment, lists are presented by more than one group, the voting shall take into account these lists as a whole.

5 – The general meeting must not appoint other directors while the number of directors fixed for the purpose in the articles of association, pursuant to paragraph 1 of this article, have yet to be appointed, except where the aforementioned lists were not presented.

6 – The articles of association may also establish that a minority of shareholders having voted against a motion which was passed in the appointment of directors shall have the right to appoint at least one director, provided that this minority represents at least 10% of the share capital.

7 – In the systems described in the previous paragraphs, appointments are made from among the shareholders who have voted against the motion which was passed at the election of directors, at the same meeting, and directors elected in this manner shall automatically substitute persons who received the fewest votes on the winning list or, in the case of tied votes, the person occupying last place on the same list.

8 – In companies with public subscription or companies controlled by the State or by an entity which is equivalent to the State under the terms of the law, the inclusion in the articles of association of one of the systems provided for in this article is compulsory, and in the event of their being omitted from the articles of association, the provisions arising from paragraphs 6 and 7 shall apply.

9 – The amendment of the articles of association to include any of the systems referred to in this article may be decided by a simple majority of votes cast at the general meeting.

10 – Should the articles of association permit the appointment of deputy directors, the provisions of the previous paragraphs shall apply to the appointment of as many deputies as there are directors subject to those rules.

11 – Directors acting on behalf of the State or a state-sector body equivalent to the State by law for the purpose in question shall be appointed under the terms of the respective legislation.

**Article 393****Substitution of Directors**

- 1 – The bylaws of a company must fix the number of absences from meetings, successive or scattered, without justification accepted by the board of directors, leading to a permanent absence by the director.
- 2 – Permanent absence of a director must be declared by the board of directors.
- 3 – In the event of permanent absence by a director, they must be substituted under the following terms:
 - a) By calling in the deputies instated by the chairman, according to the order in which they appear on the list submitted to the general meeting of shareholders;
 - b) If there are no deputies, by co-optation, except where the permanent directors are not sufficient in number to allow the board to function;
 - c) If there is no co-optation within 60 days of the default, the supervisory board or the audit committee shall appoint a substitute;
 - d) By electing a new director.
- 4 – The co-optation and appointment by the supervisory board or the audit committee must be submitted for ratification at the first subsequent general meeting.
- 5 – The substitutions carried out under the terms of paragraph 1 shall last until the end of the period for which the directors were appointed.
- 6 – There shall only be temporary substitutions in cases of suspension of directors, whereby the provision of paragraph 1 shall apply.
- 7 – In the event of absence of a director appointed pursuant to the special rules established in Article 392, the respective deputy shall be called upon, and if there is no deputy, a new election shall take place, to which shall apply the said special rules, with the necessary adaptations.

Article 394**Appointment by the Courts**

- 1 – Whenever for more than 60 days it has not been possible to convene the board of directors, as a result of there not being enough permanent directors and the substitutions referred to in Article 393 not having taken place, and, furthermore, whenever more than 180 days have elapsed since the end of the period for which the directors were appointed, without a new election taking place, any shareholder shall have the right to request the appointment of a director by the courts, until such time as the election of the said board takes place.
- 2 – The director appointed by the courts shall be equivalent to the sole director permitted in Article 390.2.
- 3 – In the cases provided for in paragraph 1, the directors remaining in office must terminate their functions on the date on which the courts appoint a director.

**Article 395****Chairman of the Board of Directors**

- 1 – The articles of association may establish that the general meeting convened to appoint the board of directors appoint the chairman of the said board.
- 2 – In the absence of the clause in the articles of association, referred to in the previous paragraph, the board of directors shall choose its chairman, who may be substituted at any time.
- 3 – The chairman shall have the casting vote in resolutions by the board in the following situations:
 - a) When the board is composed of an equal number of directors;
 - b) In all other cases, if the articles of association should so stipulate.
- 4 – In the cases referred to in item a) of the previous paragraph, in the event of absences and the impediment of the chairman, the member of the board upon whom such right is conferred in the deed of appointment shall have the casting vote.

Article 396**Surety**

- 1 – The liability of each director must be guaranteed by one or other of the means permitted by law, to the value fixed in the articles of association, which must, however, never fall below 250,000 Euro for companies issuing securities which are admitted to trading on a regulated market, or for companies meeting the criteria of Article 413.2.a) and 50,000 Euro for all other companies.
- 2 – The surety may be substituted by an insurance contract, in favour of those entitled to the indemnity, the costs of which must not be met by the company, except for the part of the indemnity which is in excess of the minimum value fixed in the previous paragraph.
- 3 – Except in the case of companies issuing securities admitted to trading on a regulated market and companies meeting the criteria of Article 413.2.a), the surety may be waived at the discretion of the general meeting or the incorporation meeting appointing the board of directors or a director and also when the appointment was by means of the articles of association, in a provision set forth therein.
- 4 – Liability must be guaranteed within 30 days of the designation or election and the surety must be kept until the end of the calendar year following that in which the director ceases to exercise his/her functions for any reason, on pain of immediate removal from office.

Article 397**Deals with the Company**

- 1 – The company shall be prohibited from granting loans or credit to directors, making payments on their behalf, providing guarantees for obligations assumed by them and granting them salary advances of more than one month.
- 2 – Any contracts entered into between the company and its directors, directly or through an intermediary, shall be null and void, if prior authorisation was not given in a resolution



adopted by the board of directors, in which the party in question cannot vote, and with the assent of the supervisory board.

3 – The provisions of the previous paragraphs shall be extended to deeds or contracts entered into with companies in a group or controlling relationship with the company of which the contracting party is a director.

4 – In its annual report, the board of directors must specify the authorisations it has granted under the terms of paragraph 2 and the report from the supervisory board or the audit committee must refer to the statements of opinion drawn up with regard to these authorisations.

5 – The provisions of paragraphs 2, 3 and 4 shall not apply in the case of acts falling within the scope of the business dealings of the company and where no special benefit is granted to the director who is the contracting party.

Article 398

Exercise of Other Activities

1 – During the period for which they were appointed, the directors must not exercise, in the company or any company with which it is in a controlling or group relationship, any temporary or permanent functions under the terms of an employment contract, on a subordinate or independent basis, nor are they permitted to enter into any such contracts aimed at the provision of services when they cease exercising their functions as a director.

2 – Whenever a person exercising any of the functions referred to in the previous paragraph is appointed as directors in the companies referred to above, the contracts relating to such functions shall terminate if they were entered into less than one year prior to the appointment, or shall be suspended in cases where their duration is of more than one year.

3 – In the absence of the authorisation of the general meeting, the directors shall not exercise any activity competing with the company on their own behalf or on behalf of a third party, nor shall they exercise functions in a competitor company or be appointed on behalf of or in representation of such a company.

4 – The authorisation to which the previous paragraph refers must state the means by which directors shall have access to sensitive information.

5 – The provisions of paragraphs 2, 5 and 6 of Article 254 shall apply.

Article 399

Remuneration

1 – The general meeting of shareholders or the committee appointed by the general meeting shall be responsible for fixing the remuneration of each of the directors, taking into account the functions exercised and the economic situation of the company.

2 – Remuneration may be fixed or may consist partially of a percentage of the profits for the financial year, however the maximum percentage aimed at directors must be authorised by a clause in the articles of association.



3 – The percentage referred to in the previous paragraph must not include distributions of reserves nor any part of the profits from the financial year which, according to the law, must not be distributed between shareholders.

Article 400

Suspension of Directors

1 – The supervisory board or the audit committee may suspend directors whenever:

- a) The condition of their health makes it temporarily impossible for them to exercise their functions;
- b) Other personal circumstances prevent them from exercising their functions for a time which is expected to last more than 60 days and where they request that the supervisory board or the audit committee grant them a temporary suspension or the audit committee is of the opinion that the interests of the company demand such action.

2 – The articles of association may regulate the situation of directors during their suspension period. If no such regulation is provided, all of their powers, rights and duties shall be suspended, with the exception of any duties which do not require the actual exercise of functions.

Article 401

Incidental Disability

In the event of any disability or incompatibility arising subsequent to the appointment of the director, which disability or incompatibility constitutes an impediment to the appointment and the director does not cease to exercise his/her functions or does not rectify the incidental incompatibility within 30 days, the supervisory board or audit committee must declare the termination of their functions.

Article 402

Retirement of Directors

1 – The articles of association may establish a retirement system due to old age or disability of directors, at the expense of the company.

2 – The company shall be permitted to pay into an old-age pension fund for directors, provided that the remuneration of each active director is never exceeded or, in the case of different forms of remuneration, the greater thereof.

3 – The right of directors to an old-age pension or fund shall cease at the moment at which the company is wound up, but the company may, at its expense, take out insurance contracts against such a risk, in the interests of the beneficiaries.

4 – The regulation for the execution of the provisions of the previous paragraphs shall be approved by the general meeting.

Article 403

Dismissal

1 – Any member of the board of directors may be dismissed at any time by means of a resolution adopted by the general meeting.



2 – The decision to dismiss without just cause a director elected under the terms of the special rules established in Article 392 shall not produce any effect if shareholders owning at least 20% of the capital voted against such a resolution.

3 – One or more shareholders with shares corresponding to at least 10% of the share capital may, for as long as the general meeting has not been convened to deliberate on the matter in question, request the dismissal of the director by the courts, provided that there is just cause.

4 – A serious violation of the duties of the director and their incapacity to exercise their respective functions normally shall constitute just cause for dismissal.

5 – If there is no just cause for the dismissal, the director shall have the right to compensation for any damages suffered, through the means stipulated in the contract signed by the director or under the general terms of the law, however, the compensation must not exceed the value of the remuneration which the director would presumably receive until the end of the period for which they were elected.

Article 404

Resignation

1 – A director may resign from office by means of a letter addressed to the chairman of the board of directors or, in cases where it is the chairman who is resigning, to the supervisory board or audit committee.

2 - The said resignation shall only take effect at the end of the month following that in which it was announced, unless a substitute is designated or appointed in the meantime.

Article 405

Powers of the Board of Directors

1 – The board of directors shall be responsible for managing the activities of the company, and must be subordinate to the resolutions of shareholders or to the intervention of the supervisory board or the audit committee only in cases where the law or the articles of association stipulate it.

2 – The board of directors shall have exclusive and full powers of representation.

Article 406

Management Powers

The board of directors shall be responsible for making decisions on any matter relating to the management of the company, in particular the following:

- a) Appointing its chairman, notwithstanding the provisions of Article 395;
- b) Co-opting directors;
- c) Requesting the convening of general meetings;
- d) Annual reports and accounts;
- e) Acquisition, disposal and encumbrance of real estate;
- f) Providing personal or real surety or guarantees for the company;
- g) Opening or closing establishments or important parts thereof;
- h) Important extensions or reductions of the company's activities;



- i) Important modifications to the organisation of the company;
- j) The establishment or termination of long-term and important cooperation with other companies;
- l) Changes to the headquarters and increases in capital, under the terms provided in the articles of association;
- m) Plans for mergers, spin-off and conversion of the company;
- n) Any other matter on which any director requests a decision from the board.

Article 407

Delegation of Powers of Management

- 1 – Unless the articles of association prohibit it, the board may especially empower a director or several directors to deal with certain aspects of the management of the company.
- 2 – The special responsibility referred to in the previous paragraph must not include the matters provided for in items a) to m) of Article 406 and must not exclude the normal powers of the other directors or the board nor their responsibilities, according to the law.
- 3 – The articles of association may authorise the board of directors to delegate the current management of the company to one or more directors or to an executive committee.
- 4 – The resolution of the board must fix the limits of delegation, which must not include the matters provided for in items a) to d), f), l) and m) of Article 406 and, in the event of a committee being created, must establish the composition and mode of functioning of the said committee.
- 5 – In the event of delegation, the board of directors or members of the executive committee must appoint a chairman of the executive committee.
- 6 – The chairman of the executive committee must:
 - a) Ensure that all information is provided to all other members of the board of directors in relation to the activities and the decisions of the executive committee;
 - b) Ensure compliance with the limits of delegation, the company's strategy and the duties of employees towards the chairman of the board of directors.
- 7 – The provisions of paragraph 3 of Article 395 shall apply to the chairman of the executive committee, with the necessary adaptations.
- 8 – The delegation provided for in paragraphs 3 and 4 shall not exclude the powers of the board to adopt resolutions on the same matters; the other directors shall be responsible, pursuant to the law, for the general vigilance of the performance of the director or deputy directors or the executive committee and, also, for any losses incurred through acts or omissions on their part, when, having knowledge of such acts or omissions, or the intention to commit them, they fail to seek the intervention of the board to adopt the necessary measures.

Article 408

Representation

- 1 – The powers of representation of the board of directors shall be exercised jointly by the directors, and the company shall be bound by the legal transactions concluded by the



majority of the directors or ratified by them, or by a lower number of directors, as established in the articles of association.

2 – The articles of association may provide for the company to also be bound by the transactions concluded by one or more the delegate-directors, within the limits of the delegation by the board.

3 – Notifications or declarations from third parties to the company may be addressed to any of the directors, and any provision to the contrary in the articles of association shall be considered null and void.

4 – Those notification or declarations which are addressed by a director to the company must be addressed to the chairman of the board of directors or, if the chairman is the author of such declarations, to the supervisory board or the audit committee.

Article 409

Binding Obligations of the Company

1 – Acts practiced by a company's directors on behalf of the company and within the powers conferred upon them by law shall bind them towards third parties, notwithstanding the limitations set forth in the articles of association or arising from resolutions adopted by the shareholders, even if such limitations are made public.

2 – The company may, however, impose limits upon third parties in relation to the powers arising from its corporate purpose, if it has proof that the third party was aware of or could not have been unaware of them, given the circumstances whereby the act committed was not in accordance with the said paragraph and if, in the meantime, the company did not own up to the act, by means of an express or tacit resolution by the shareholders.

3 – The awareness referred to in the previous paragraph can only be proven by the publicity granted to the articles of association.

4 – The directors bind the company whenever they use their signature, indicating their capacity as a director.

Article 410

Meetings and Decision-making by the Board

1 – The board of directors shall meet whenever it is convened by the chairman or two other directors.

2 – The board must meet at least once a month, except where the articles of association state otherwise.

3 – The directors must be summoned in writing, with the appropriate advance notice, except where the articles of association provide for meetings on pre-established dates or another form of convening the meetings.

4 – The board must not adopt resolutions if the majority of its members are not present or represented.

5 – The articles of association may permit any director to be represented at a meeting by another director, by means of a letter addressed to the chairman, however each deed of representation must not be used more than once.



6 – Directors must not vote on matters in relation to which they have a conflict of interests with the company, by themselves or through a third party. In the event of a conflict arising, the director must inform the chairman of such fact.

7 – Resolutions shall be passed by a majority of votes of the directors present or represented and those who cast postal ballots, if this is permitted by the articles of association.

8 – If not prohibited in the articles of association, board meetings may be held by telematic means, provided that the company ensures the authenticity of declarations and the security of communications, registering the content of all interventions.

Article 411

Invalidity of Resolutions

1 – Resolutions adopted by the board of directors shall be null and void:

- a) When adopted at a meeting which was not convened, except where all directors were present or represented, or, should the articles of association allow it, where they cast postal ballots;
- b) When the content is, by nature, subject to resolution by the board of directors;
- c) The content of which is offensive to morals or imperative legal rules .

2 – The provisions of paragraphs 2 and 3 of Article 56 shall apply.

3 – Resolutions which violate the provisions either of the law, when the case is not subject to nullity, or those of the articles of association, shall be voidable.

Article 412

Plea of Invalidity of Resolutions

1 – The board or the general meeting may declare the nullity of or annul resolutions by the board which are corrupt, at the request of any director, the supervisory board or any shareholder with voting rights, within one year of the irregularity becoming known, but not after three years have elapsed since the date of the resolution.

2 – The deadlines referred to in the previous paragraph shall not apply in the case of the appraisal by the general meeting of acts of directors, in which case the assembly may deliberate with regard to the annulment or nullity, even if the matter in question is not stated in the notice of meeting.

3 – The general meeting of shareholders may, however, ratify any voidable resolution of the board of directors or substitute the null resolution, provided that this does not relate to matters which are the sole responsibility of the board of directors.

4 – The directors must execute or consent to the execution of the null resolutions.