

**AUDIT AND COMPLIANCE COMMITTEE'S REGULATIONS**

**INDUSTRIA DE DISEÑO TEXTIL, S.A.  
(INDITEX, S.A.)**

**APPROVED BY THE BOARD OF DIRECTORS  
ON 14 DECEMBER 2020**

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## **CHAPTER I. PRELIMINARY**

### **Section 1. Nature and Purpose**

1. Pursuant to the corporate governance system, of Industria de Diseño Textil, S.A. (Inditex, S.A.) (the "**Company**"), the Board of Directors has set up the Audit and Compliance Committee (the "**Committee**"), a permanent internal consulting and advisory body, without executive duties, with information, oversight, advisory and proposal-making powers within its scope of action, which shall be governed by the provisions set forth in applicable regulations, the Articles of Association, the Board of Directors' Regulations and in these Audit and Compliance Committee's Regulations, (the "**Regulations**").
2. These Regulations seek to foster the independence of the Committee and determine the guidelines for action, the basic rules of its organization and proceedings and the standards of conduct for its members.

### **Section 2. Priority and interpretation**

1. These Regulations further develop and supplement the provisions of applicable regulations, of the Articles of Association and of the Board of Directors' Regulations which apply to the Committee, which shall prevail in case of inconsistency with the provisions of the former.
2. These Regulations shall be construed pursuant to applicable regulations, the Articles of Association and the Board of Directors' Regulations, as well as to the recommendations on corporate governance of Spanish listed companies and the best corporate governance practices applied in the countries around Spain, from time to time in force.
3. In the absence of a specific rule and to the extent that they are not incompatible with the nature of the Committee, the provisions of the Board of Directors' Regulations regarding the proceedings of the Committee shall apply, namely regarding the calling of the meetings, granting of proxy to another director, quorum, conduct of meetings and system for passing resolutions, casting of votes in writing without a meeting, and approval of the minutes.
4. The settlement of any doubts arising from or in connection with the performance of these Regulations falls on the Board of Directors pursuant to the general criteria used for the interpretation of legal rules and taking into account the purpose of the Committee.

### **Section 3. Approval and amendment**

1. The power to approve or amend these Regulations falls on the Board of Directors, at its

own behest, at the behest of its Chairman or at the behest of the Committee.

2. The motion to amend these Regulations at the behest of the Committee shall be accompanied by the relevant memorandum in support of such amendment.
3. The text of the motion approved and, where appropriate, the memorandum in support drafted by the Committee shall be made available to the directors prior to the meeting of the Board of Directors in which the amendment of these Regulations is to be deliberated on.

#### **Section 4. Compliance and circulation**

1. Committee members, as well as the remaining members of the Board of Directors to the extent they are affected, are bound to know, comply with and enforce these Regulations, for which purpose they shall be posted on the Company's corporate website.
2. Additionally, the Committee shall ensure compliance with these Regulations and take all appropriate steps so that they are duly circulated within the Company and its subsidiaries (the "Group").

### **CHAPTER II. MISSION AND POWERS OF THE COMMITTEE**

#### **Section 5. Mission of the Committee**

1. The Committee is responsible for advising the Board of Directors on topics within its purview, and for overseeing and monitoring the processes for preparing and presenting financial and non-financial information, the independence of the statutory auditor and the effectiveness of internal control and risk management system, both financial and non-financial, without prejudice to the ultimate responsibility of the Board of Directors.
2. In the discharge of its powers, the Committee shall take into account the following basic principles of action:
  - (i) Independence from instructions from and ties with third parties which might compromise the proceedings of the Committee.
  - (ii) A constructive dialogue that fosters the freedom of speech of its members and encourages the diversity of opinions.
  - (iii) Regular and timely dialogue with the Internal Audit function, the statutory auditors, the Chairman of the Board of Directors, the Chief Executive Officer and the other executive directors, should there be any, and the Company's Management, particularly, the Financial Division; and
  - (iv) Required analytical skills, employing for such purposes external advisors where this is deemed necessary for the appropriate discharge of its duties, namely

relating to certain controversial, new or especially complex issues, issues of a technical nature or particularly relevant ones.

3. Without prejudice to any other tasks it may be entrusted with by the Board of Directors, and to other powers it may be reserved by these Regulations, the Audit and Compliance Committee shall have the following basic responsibilities:
  - (a) To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of the Audit and Compliance Committee, and namely, regarding the result of the audit conducted, explaining that it has contributed to the integrity of the financial and non-financial information, and the role played by the Audit and Compliance Committee in this process.
  - (b) To oversee and evaluate the effectiveness of the internal control system of the Company, the internal audit and the risks management systems both financial and non-financial, including tax, operational, technological, legal, social, environmental, reputational risks and those related to corruption, and to review with the statutory auditor the significant weaknesses of the internal control system revealed in the course of the audit, all of which without jeopardising its independence; for such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up.
  - (c) To oversee and evaluate the process for preparing and presenting as well as the integrity of the financial information and the directors' report relating to the Company and, as the case may be, its Group, including, where appropriate, the prescribed required non-financial information. To review compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and the appropriate application of accounting and financial reporting criteria, and to submit recommendations or motions to the governing body for the purposes of safeguarding the integrity of such information.
  - (d) To table to the Board of Directors, for the subsequent submission thereof to the General Meeting of Shareholders, the motions on recruitment, appointment, re-election and replacement of the external auditor, taking charge of the recruitment process pursuant to the provisions of the applicable regulations, as well as the terms and conditions of the agreement to be executed with them and to regularly gather from the external auditor information about the audit plan and its performance, in addition to preserving its independence in the performance of its duties.
  - (e) To liaise with the external auditor in order to receive information on those matters that could represent a threat to its independence, so that the Committee

may review them, and on any other matter related to the implementation of the audit process, and, where appropriate, the authorisation of any services other than those forbidden, pursuant to the terms of the applicable regulations, as well as on those other communications envisaged by the audit legislation and the auditing standards. At any rate, the Committee shall receive every year from the external auditor, the statement of its independence regarding the entity or those entities directly or indirectly related thereto, as well as the detailed and separate information on any additional services of any manner rendered and the relevant fees received from the above mentioned entities to the external auditor or by the persons, natural or legal related to such external auditor, pursuant to the provisions of the prevailing regulations on statutory audit.

- (f) To issue on an annual basis, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardised. Such report must address at any rate, the reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph, considered both separately and as a whole, other than the legal audit and its opinion regarding the auditors' independence or the regulations on statutory audit;
- (g) To advise beforehand the Board of Directors on all the topics covered by applicable regulations, the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the periodic financial, and where applicable, non-financial information that the Company must disclose on a regular basis; (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties.
- (h) To inform the Board of Directors on such transactions that involve structural and corporate changes that the Company plans to carry out.
- (i) To evaluate any question regarding financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption).
- (j) To regularly evaluate the appropriateness of the corporate governance system of the Company and oversee compliance thereof, as well as compliance with the internal codes of conduct.
- (k) To oversee the strategy of communication and relations with shareholders and investors, including small and medium shareholders; and
- (l) To oversee and assess the system of relations with the different stakeholders of

the Company, regarding all topics within its remit.

## **Section 6. Powers relating to the process of preparing the regulated financial and non-financial information**

With regard to the preparation of the regulated financial and non-financial information of the Company and its Group, the Committee shall have the following main duties:

- (a) To oversee and evaluate on an ongoing basis, the process of preparation and presentation as well as the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the statutory auditor, with the scope and frequency that may be defined, as the case may be.
- (b) To review compliance with the legal requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable.
- (c) To oversee and evaluate on an ongoing basis and in coordination with the Sustainability Committee the process of preparation and presentation as well as the clarity and integrity of the regulated non-financial information relating to the Company and its Group, ensuring that it drafted in accordance with statutory requirements as regards the standards applied and the delimitation of the perimeter, and to oversee the reviews requested from the external verifier, with the scope and frequency that may be defined. In any case, without prejudice to the necessary coordination with the Sustainability Committee to ensure a consolidated view on the effective application of the policies under their respective purview, the Audit and Compliance Committee shall be ultimately responsible for overseeing the process.
- (d) To maintain a fluid communication with the Company's Management to understand its decisions regarding the application of the most significant criteria; with the Internal Audit Function to know the outcome of the reviews carried out; and with the external auditors or verifiers to obtain their opinion regarding financial and non-financial information.
- (e) To be familiar with, understand and oversee and evaluate the effectiveness of the internal control over financial and non-financial information system and receive information on a regular basis from the supervisor thereof.

- (f) To submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial and non-financial information.
- (g) To assess and advise the Board of Directors on any significant changes in accounting standards and on the significant risks on the balance sheet and off-balance sheet; and
- (h) To review that the financial and non-financial information published on the Company's corporate website is updated at all times and that it matches the one prepared by the Board of Directors and published on the website of the Spanish National Securities Market Commission (CNMV) and to apprise the Board of any issue with which the Committee is not satisfied after the review.

### **Section 7. Powers relating to statutory audit**

With regard to the statutory audit of the Company and its Group, the Committee shall have the following main duties:

- (a) To propose to the Board of Directors the selection, appointment, re-election and replacement of the external auditor, taking charge of the recruitment process pursuant to the provisions of the applicable regulations, as well as the terms and conditions of the contract to be executed with them, to be subsequently submitted to the General Meeting of Shareholders for approval.
- (b) To oversee and preserve the independence of statutory auditor and the absence of any prohibition or incompatibility circumstances for auditors, pursuant to the laws on statutory audit. To perform such task, the Committee shall:
  - (i) Receive from the statutory auditors on an annual basis, the statement on their independence regarding the Company or the companies related thereto, directly or indirectly.
  - (ii) Oversee the hiring of the statutory auditor for non-audit services, as well as the terms and the performance of the contracts entered into with the external auditor of the Company for the provision of such services.
  - (iii) Receive detailed and separate information from the statutory auditor on any manner of additional non-audit services rendered, as well as the relevant fees received by the auditors or by the persons or entities related to them, pursuant to the provisions of the regulations on statutory audit.
  - (iv) Verify that the Company and the statutory auditor comply with applicable regulations regarding the provision of non-audit services, the limits on the

concentration of the auditor's business, the rules on professional fees and, generally, all other regulations established in order to ensure the independence of the statutory auditors.

- (v) Ensure that the remuneration of the external auditor for their work does not compromise the quality and independence thereof.
  - (vi) In the event of resignation of the statutory auditor, examine the circumstances that may have given rise thereto; and,
  - (vii) Issue on an annual basis and prior to the issue of the auditor's report, a report setting forth its opinion on whether the independence of the statutory auditor or of audit firms has been jeopardised. At any rate, such report must contain the reasoned assessment of the provision by the external auditor of each and every additional non-audit service, considered both separately and as a whole, and its opinion regarding the independence system of the auditor pursuant to the regulations on statutory audit.
- (c) To oversee compliance with the audit contract, regularly gathering from the statutory auditor information on the audit plan and its implementation.
  - (d) To review the contents of the auditor's reports and, where appropriate, of the reports on limited review of interim accounts, as well as other mandatory reports to be prepared by the statutory auditor, prior to the issue thereof, in order to avoid qualified reports, ensuring that the annual accounts that the Board of Directors presents to the General Meeting of Shareholders are drawn up in accordance with accounting standards and, that in the circumstances where the statutory auditors includes any qualification in the auditor's report, the Chair of the Committee should give a clear explanation at the General Meeting of the committee's opinion regarding the contents and scope of such qualifications, making a summary of that opinion available to the shareholders at the time of the publication of the notice calling the General Meeting of Shareholders along with the rest of the proposals and reports of the board of directors.
  - (e) To assess the results of each statutory audit and oversee the response of the Senior Executives to their recommendations.
  - (f) To promote that the statutory auditors of the Group's consolidated accounts shall assume responsibility for the audit work of all or the majority of the companies that form part of such Group; and
  - (g) To ensure that the statutory auditor carrying out the audit of the financial statements or of consolidated accounting documents shall assume full responsibility for the auditor's report issued, even though the financial statements of the investee companies

have been audited by other auditors.

- (h) To maintain a fluid communication with the statutory auditors, drafting an activities' calendar and a schedule of meetings, and to serve as communication channel between them and the Board of Directors, endeavouring for the auditors to have a meeting with the Board of Directors at least once a year for the purposes of reporting on the work done and the evolution of the accounting and risk situation of the Company.
- (i) To assess the performance of the statutory auditors and their contribution to the quality of the auditing and the integrity of the financial and non-financial information; and
- (j) To verify that the change of statutory auditor is disclosed as Other Relevant Information to CNMV and, where appropriate, that information is given on the potential existence of any discrepancies with the outgoing auditor and the contents thereof.

### **Section 8. Powers relating to the Internal Audit Function**

With regard to the Internal Audit Function of the Company and its Group, the Committee shall have the following main duties:

- (a) To ensure the independence and effectiveness of the Internal Audit Function overseeing that it has sufficient resources, both human and material, internal and external, to carry out its duties with objectivity and independence.
- (b) To approve the budget of the Internal Audit Function, the Internal Audit Plan and its annual activities report, ensuring that its activities are mainly focused on significant risks for the Company and its Group, including reputational risks.
- (c) To oversee observance of the Internal Audit Plan, and for such purposes, regularly receive information on the proceedings of the Internal Audit Function and on the implementation status of the Plan, including potential changes and deviations, incidents and limitations on the scope occurred upon implementing such Plan, as well as receiving information on the outcome and the degree of compliance by the Management with its recommendations.
- (d) To propose the appointment and dismissal of the Chief Audit Officer, prior to the report of the Nomination Committee.
- (e) To assess the performance of the Internal Audit Department and of the Chief Audit Officer; and
- (f) To verify that Senior Executives take into account the findings and recommendations resulting from the reports issued by the Internal Audit Department.

**Section 9. Powers relating to control and risk management**

With regard to the Company's control and risk management system, the Committee shall have the following main duties:

- (a) To oversee the control and risks management function and establish that it operates pursuant to the provisions of the policy approved by the Board.
- (b) To receive on a regular basis reports from the Management or from the supervising areas, on the proceedings of risk management systems established, as well as on the results of the tests carried out by internal auditors relating to the same, as well as on any significant internal control weakness detected by the external auditors.
- (c) To assess the effectiveness of internal control and management systems relating to financial and non-financial risks, as well as of the measures established to mitigate the impact of identified risks.
- (d) To promote a corporate culture within the Company wherein risk assessment is a factor upon decision-making, at all levels of the Company and its Group.
- (e) To identify and re-assess, at least on an annual basis, financial and non-financial risks and the level of risk tolerance.
- (f) To identify and understand emerging risks as well as their alert mechanisms, and regularly assess the effectiveness thereof.
- (g) To ensure that risks are kept and managed within the levels of risk tolerance set by the Board of Directors.
- (h) To meet with the heads of business units at least once a year, and whenever the Committee deems it appropriate, for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.
- (i) To submit recommendations or motions to the Board of Directors, with the relevant term for follow-up.
- (j) To ensure that the internal control policies and systems established by the company are effectively applied in practice.

**Section 10. Powers relating to corporate governance**

With regard to the corporate governance policy of the Company and its Group, the Committee shall have the main basic duties:

- (a) To regularly review and evaluate the appropriateness of the corporate governance system for the purposes of fulfilling its mission of promoting corporate interest taking into account the lawful interests of the different stakeholders of the Company, and to propose to the Board of Directors the amendments and updates of the Company's corporate governance regulations that contribute to its development and continuous improvement, for approval or to be subsequently tabled to the General Meeting of Shareholders.
- (b) To oversee the degree of compliance by the Company with generally recognized recommendations on good governance and in particular, with the Good Governance code of Listed Companies approved by CNMV.
- (c) To oversee compliance with the Internal Regulations of Conduct regarding Transactions with Securities, with these Regulations and, in general, with the corporate governance regulations of the Company, and to make the relevant proposals to improve it;
- (d) To receive from the Office of the Chief Compliance Officer or, as the case may be, from the Compliance Supervisory Board, at least every six months and whenever the Audit and Compliance Committee may deem it fit for the appropriate exercise of its functions, information on the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities and, in particularly, with the cases seen, if any, and the resolutions passed.
- (e) To regularly receive information on issues relating to management of treasury stock.
- (f) To prepare and table to the Board of Directors for approval, the Annual Corporate Governance Report; and
- (g) To oversee the operation of the Company's corporate website with regard to the posting of information on corporate governance included in Section 42 of the Board of Directors' Regulations.

### **Section 11. Powers relating to Compliance**

With regard to Compliance, the Committee shall have the following main duties:

- (a) To issue reports on the policies and procedures of the Company on topics within its remit as well as on issues that must be approved by the Board of Directors.
- (b) To oversee compliance with the applicable regulations and the effectiveness of the internal policies and procedures of the Company, ensuring that they are appropriate and consistent with regulatory provisions, and recommendations and

best practices existing on the market.

- (c) To review the recommendations and best practices on Compliance, whether domestic or international, and to encourage compliance with the most demanding standards; and, to be apprised of any regulatory proposal applicable to the Company which may have special impact thereon.
- (d) To approve the annual budget of the Compliance Function, ensuring that it relies on the necessary human and material resources for the appropriate and effective discharge of its duties, the Annual Compliance Plan and its annual activities report.
- (e) To oversee compliance with the Annual Compliance Plan, and for such purposes, receive information on a regular basis on the proceedings of the Compliance function.
- (f) To oversee compliance with the Model of Criminal Risk Prevention of the Group, and the effectiveness of its controls.
- (g) To establish and oversee the mechanisms that would allow all the Group's employees, and other persons related with the Group, such as directors, shareholders, manufacturers, suppliers or third parties with a direct relationship and a lawful business or professional interest, to report, anonymously if appropriate, with all due guarantees of confidentiality, non-retaliation and observing at any rate the regulations on data protection, potentially relevant irregularities, including of a financial and/or accounting nature, or otherwise relating to the Company, including without limitation, any potential breach of the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and the remaining internal regulations of the Group.
- (h) To receive from the Committee of Ethics at least every six months and whenever the Audit and Compliance Committee may deem it fit for the appropriate exercise of its functions, information on (i) compliance with the Code of Conduct and Responsible Practices and with the Model of Criminal Risk Prevention of the Group; (ii) the reports received through the relevant channel of any potential breach of the Codes of Conduct of the Group, of any other internal regulation of the Group and of any potentially relevant irregularities, including of a financial and/or accounting nature, or otherwise relating to the Company, and generally (iii) the enforcement of the Compliance system of the Company, and to submit motions to the Board of Directors for the adoption of measures and policies seeking to improve compliance with such system and with the Model of Criminal Risk Prevention of the Group; and

- (i) To receive information and, where appropriate, issue reports on the disciplinary measures that are intended for members of the senior management of the Company.

### **Section 12. Powers relating to tax issues.**

With regard to tax issues of the Company and its Group, the Committee has the following main duties:

- (a) To advise beforehand the Board of Directors on the creation or acquisition, as the case may be, of interests in special vehicles or entities resident in countries or territories considered tax havens.
- (b) To receive from the head of tax issues of the Company in order to relay it to the Board of Directors prior to the statement of the annual accounts and the filing of the Corporate Tax return, information on tax criteria followed by the Company during the financial year, and on the degree of compliance with the Code on Good Tax Practices; and,
- (c) To apprise the Board of Directors, based upon the information received from the head of tax issues of the Company, of the tax policies applied and, in the case of transactions or matters which must be referred to the Board of Directors for approval, of the tax consequences thereof, when they represent a relevant factor.

### **Section 13. Other powers entrusted to the Committee**

Additionally, the Committee has the following duties:

- (a) To oversee in coordination with the Sustainability Committee, where applicable and with regard to issues under its purview, the strategy of communication and relations with shareholders, including small and medium shareholders, investors, proxy advisors and other stakeholders as well as the effective application of the Policy on Disclosure of Economic-Financial, Non-Financial and Corporate Information, and encourage its enhancement.
- (b) To oversee and evaluate the process of interaction with the different stakeholders of the company as regards issues under its purview.
- (c) To inform the Board of Directors on such transactions that the Company or the companies of its Group intend to carry out with directors or with shareholders who hold a significant stake or who have proposed the appointment of any director of the Company, or with their respective related parties, from an arm's length perspective and the principle of equal treatment to shareholders.

- (d) To apprise the Board of Directors on such transactions which entail structural and corporate changes that the Company intends to carry out, reviewing the economic terms and the accounting impact thereof, and namely, where appropriate, the proposed exchange ratio.
- (e) To assess the Committee's performance independently and to report to the Board on the outcome of the assessment.
- (f) To prepare an annual report on the proceedings and activities of the Audit and Compliance Committee; and
- (g) To exercise when the Committee so decides all the duties inherent in audit committees from time to time provided in applicable laws, as regards such Group companies that are deemed to be public-interest entities (as defined by applicable regulations) provided that such companies are directly or indirectly wholly-owned by the Company and the administration thereof is not vested in a board of directors.

### CHAPTER III. COMPOSITION

#### **Section 14. Composition and offices**

1. The Audit and Compliance Committee shall be made up of a number of non-executive directors no lesser than three nor higher than seven, the majority of whom shall be independent. Members of the Committee, as a whole, and in particular its Chair shall be appointed taking into account their knowledge and experience on accounting, audit, internal control or risks management, both financial and non-financial, as well as industry-specific knowledge. Additionally, at least one of them shall be appointed taking into account their knowledge, expertise and experience in the matter of information technology.
2. Members of the Committee shall be appointed by the Board of Directors after report of the Nomination Committee.

The Board of Directors shall encourage diversity of members on the Committee as regards professional experience, competencies, personal skills, sector-specific knowledge international experience and/or geographic origin, age and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

3. The Board of Directors shall appoint a Chair from among the independent directors sitting on the Committee, ensuring that he/she is sufficiently qualified and available for the appropriate discharge of his/her duties.
4. The Board of Directors shall also appoint a Secretary of the Committee, who needs not be a member of the Board of Directors or of the Committee; in such case, the Secretary

shall have the right to speak but not to vote.

**Section 15. Term of office**

1. Committee members shall hold their office while they remain as directors of the Company, except if the Board of Directors resolves otherwise.
2. The Chair shall be elected for a maximum four- year term, upon expiry of which he/she must be replaced. The Chair may be re-elected once a year has lapsed from the date he/she ceased to hold the office of Chair.
3. Committee members who are re-elected by the Company by resolution of the General Meeting of Shareholders shall remain in their office within the Committee, without the need for a new election, without prejudice to the power of revocation that lays with the Board of Directors.

**Section 16. Dismissal**

Committee members shall vacate office:

- (a) When they cease to be directors of the Company.
- (b) When they cease to be non-executive directors, even if they continue as directors of the Company; or
- (c) By resolution of the Board of Directors.

**CHAPTER IV. PROCEEDINGS OF THE COMMITTEE**

**Section 17. Committee meetings**

1. The Committee shall meet, at least on a quarterly basis, for the purposes of reviewing the periodic financial information to be submitted to the market authorities as well as the information that the Board of Directors must approve and include within its annual public documentation.
2. Likewise, it shall meet each time that its Chair calls it. The Chair must call the Audit and Compliance Committee whenever the Board of Directors or the Chairman thereof would request the issue of a report or the submission of motions and, at any rate, whenever it is appropriate for the successful performance of its functions. The Committee shall also meet when so requested by at least one third of its members; in such case, the meeting shall be called by the Chair to be held within fifteen days of the request.
3. Ordinary meetings shall be called by letter, fax, telegram or e-mail and the notice shall be signed by the Chair or the Secretary. The notice calling the meeting shall be given at least three days in advance.

The agenda of the meeting must be included in the notice calling the meeting, and the

relevant information duly summarized and prepared must be provided with the notice.

4. The Chair may call extraordinary meetings of the Committee when, in his/her view, the circumstances so justify; in such cases the notice period and the remaining requirements laid down in the foregoing paragraph shall not apply.

Other communication channels, working meetings to prepare Committee meetings on specific topics apart from the formal meetings of the Committee, may also be arranged by the Chair.

5. The Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings, and shall inform the Board thereof.

With regard to such schedule, the Committee shall ensure that risk monitoring is included on the agenda of the meetings and that all significant risks, both financial and non-financial, are reviewed throughout the year.

6. Likewise, the Committee shall, as far as possible, endeavour to provide for the possibility of relying on external advisors, and shall set out the corresponding training plan for them to correctly execute their duties.

#### **Section 18. Quorum**

1. A quorum for Committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. In the event of an uneven number of directors, a quorum for the Committee meeting shall be declared when the whole number of directors immediately above half attends.
2. Directors shall make their best efforts to attend the meetings of the Committee and, whenever they cannot attend in person, they shall endeavour to grant proxy to another member of the Committee, with the relevant instructions, informing thereof the Chair of the Committee.
3. Without prejudice to the foregoing, a quorum for Committee meetings shall be declared if all its members, present or represented, unanimously accept to hold the meeting.

#### **Section 19. Place of meeting**

1. Meetings of the Committee shall be held at the place designated in the notice calling the meeting.
2. The Committee may also pass resolutions in writing, without a meeting, pursuant to the provisions of applicable regulations. Likewise, meetings of the Committee may be held via videoconference or conference call, so that one or more directors may attend the meeting by this system. For such purposes, the notice calling the meeting of the Committee shall state, in addition to the place of the meeting, where the Secretary of the

Committee shall be present, the possibility that the meeting may be attended via conference call, videoconference or equivalent system, and the technical means required for such purpose, which shall, at any rate allow the instant and direct communication between the members in attendance, shall be stated and made available. The Secretary of the Committee shall record in the minutes of the meetings held by these means, not only the members who attend in person or, where appropriate, by proxy granted to another director, but also those members attending the meeting via conference call, videoconference or similar system.

## **Section 20. Attendance**

1. The Committee may call executive and non-executive directors, members of Management and any employee of the Company, who shall be bound to appear before the Committee, attend its meetings and provide it with assistance and access to the information available to them when the Committee so requests.

The Committee may request the attendance of the Chief Audit Officer, at least upon reviewing the annual or interim public information. The Committee may also request the presence and attendance of statutory auditors at its meetings, whenever it deems it appropriate.

Likewise, the Committee shall ensure that at least in one of the meetings attended by the Chief Audit officer and the external auditors, no members of Management are present.

2. Attendants to Committee meetings, namely the statutory auditors, shall not take part in any stages of the deliberations of items on the agenda.
3. Efforts will be made to ensure that presence at Committee meetings of anyone other than its members is limited to such cases where it is necessary, and for the transaction of specific items on the agenda for which they were called to attend.

## **Section 21. Resolutions**

1. Except in those cases where a larger majority is required by applicable regulations, the Articles of Association, the Board of Directors' Regulations or these Regulations, resolutions shall be passed by an absolute majority of the votes of the members attending the meeting. In case of equality, the Chair shall have a casting vote.
2. All deliberations and resolutions passed by the Committee shall be entered into a Book of Minutes. Minutes shall be signed by the Chair and the Secretary, or by the person acting in their stead in the meeting to which the minute refer. Copies and certificates of the minutes shall be authorized and issued by the Secretary with the approval of the Chair, or by the persons acting in their stead.

**CHAPTER V. AUTHORITIES OF THE COMMITTEE AND DUTIES OF ITS MEMBERS**

**Section 22. Authorities and advice**

1. The Committee may have, through the Secretary of the Board of Directors, access to any information or documentation available to the Company relating to matters within the remit of the Committee and which it deems necessary to perform its duties.
2. For the better discharge of its duties, the Committee may seek the advice of external experts, and for such purpose, the provisions of the Board of Directors' Regulations on this issue shall apply.
3. The Committee shall set up an induction programme for new members that ensures a minimum and streamlined knowledge of the business and organizational model of the Company as well as its strategy and the scope of supervision of the Committee, and facilitates their active participation from the outset.

Such induction programme shall cover at least: (i) the role of the Committee, its responsibilities and objectives; (ii) the proceedings of all other board committees; (iii) the expected time of dedication for each officer on the Committee; (iv) an overview of the business and organizational model of the Company, its strategy and powers, and the knowledge and experience that directors must have; and, (v) the reporting obligations of the Company.

Likewise, the Committee shall arrange periodic training sessions that it considers appropriate for new members to properly carry out their duties.

**Section 23. Duties of Committee members**

1. Committee members must act with independence of judgment and action with respect to the rest of the organization and carry out their duties with the utmost diligence and professional competence.
2. Committee members are subject as such to all the duties of a director set forth in Board of Directors' Regulations, to the extent that they are applicable to the responsibilities discharged by the Committee.

**Section 24. Conflicts of interest**

When the business to be transacted during the meetings of the Committee directly affects any of its members, or any persons related thereto, and, generally, when such member is involved in a conflict of interest situation, the proceedings provided for such purpose in the Board of Directors' Regulations shall be followed.

**CHAPTER VI. RELATIONS OF THE COMMITTEE**

**Section 25. Relations with the General Meeting of Shareholders**

1. The Committee shall inform the General Meeting of Shareholders about such questions raised therein by the shareholders regarding matters within its remit, and namely, about the result of the audit conducted, explaining that it has contributed to the integrity of the financial information, and the role played by the Audit and Compliance Committee in this process.
2. The annual report on the activities of the Committee referred to in the following section shall be made available to the shareholders and investors with the notice calling the Annual General Meeting.

**Section 26. Relations with the Board of Directors**

1. The Audit and Compliance Committee shall report, through its Chair, to the Board of Directors on all businesses transacted and all resolutions passed, as well as on its proceedings and the work done at the first meeting of the Board of Directors held immediately after. Likewise, a copy of the minutes of the meetings of the Committee shall be made available to all the directors.
2. Within the first six months following the close of each financial year, the Committee shall submit to the Board of Directors, for approval, an annual report on its proceedings and activities during the previous year.

**Section 27. Relations with the Internal Audit Function**

1. The Committee shall supervise the Internal Audit Function ensuring the good operation of the internal control and information systems. The Internal Audit Function will functionally report to the Chair of the Committee.
2. The Committee shall propose the appointment and dismissal of the Chief Audit Officer prior to the report of the Nomination Committee.
3. The Committee shall propose to the Board of Directors the approval of the budget of the Internal Audit Function, as well as the approval of the Internal Audit Charter and its amendments.
4. The Committee shall guide and supervise the activities of the Internal Audit Functions. For such purpose, it shall approve an annual plan which shall be submitted thereto by the Chief Audit Officer, and shall follow up the recommendations thereof. In this regard, the Chief Audit Officer shall directly inform the Committee the implementation status of the Plan, as well as of any incidents and limitations on the scope occurred during the execution of its annual work plan and shall submit to the Committee for approval an activities report at the end of each financial year.

**Section 28. Relations with the statutory auditors**

1. The Committee shall propose to the Board of Directors, to be submitted to the General

Meeting of Shareholders, the appointment, re-election and replacement of the statutory auditor of the Company, taking charge of the recruitment process pursuant to the provisions of the applicable regulations. Likewise, the Committee shall propose to the Board of Directors the terms and conditions of the contract to be executed with the auditor.

2. The Committee shall refrain from proposing to the Board of Directors, and in turn, this latter shall refrain from submitting to the General Meeting of Shareholders the appointment as statutory auditor of any audit firm which is affected by any incompatibility pursuant to the laws on statutory audit, as well as of any audit firm where the fees that the Company intends to pay on all grounds are in excess of the limits set by the laws on statutory audit.
3. The Committee shall regularly receive from the statutory auditor information regarding the audit plan and the results of its implementation, follow up on the recommendations proposed by the statutory auditor and may request its collaboration whenever this is deemed necessary.
4. The Committee shall request from the statutory auditor a statement of independence of the firm as a whole and of the team members who participate in the process of auditing the financial statements of the Group, as well as detailed and separate information on additional non-audit services of any kind rendered by statutory auditors or by persons related thereto and on the pertaining fees paid to the external auditor or to the persons, whether natural or legal, related thereto pursuant to the provisions of the regulations on statutory audit. In addition, the Committee shall oversee the enforcement of the internal procedures on quality assurance and independence safeguarding implemented by the statutory auditor.
5. The Committee shall oversee the hiring of the statutory auditor for non-audit services pursuant to the internal procedure which shall be approved.

**Section 29. Relations with the Executive Chairman, the Chief Executive Officer and other executive directors, if any, the Management and other employees**

For the purposes of ensuring the appropriate discharge of its duties, the Committee shall have regular contact with the Executive Chairman, the Chief Executive Officer and other executive directors, if any, the Management and any other employees, and it may request their presence at its meetings.

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