



# **REPORT ON THE ACTIVITIES OF THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE IN 2019**

**Madrid, 26 February 2020**

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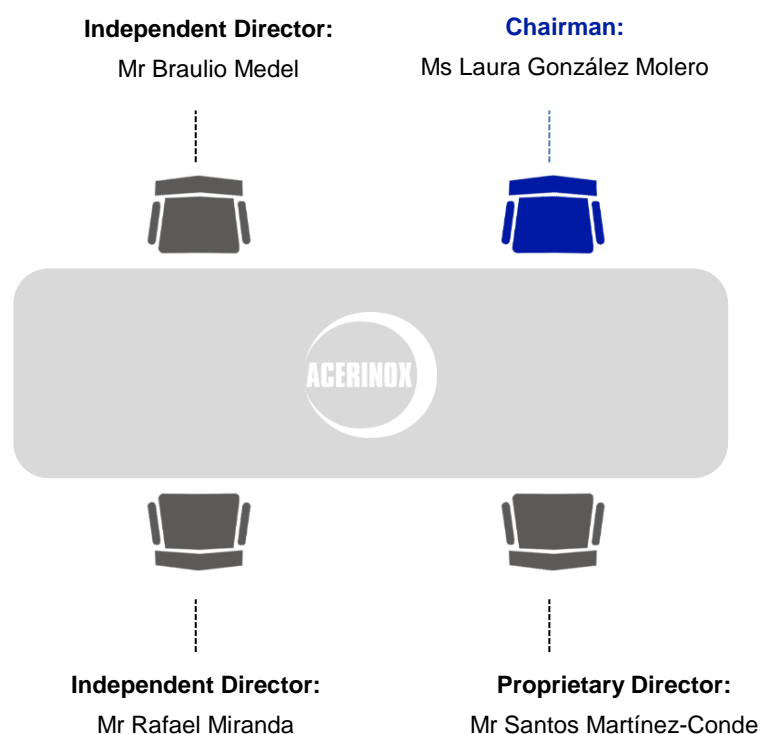
Appointments Committee meeting on 26 February 2020

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This report on the activities of the Appointments, Remuneration and Corporate Governance Committee (hereinafter, in addition, the Committee or the ARCGC) for 2019 has been drawn up in accordance with the recommendations contained in the Code of Good Governance of Listed Companies approved by the National Stock Market Commission on 18 February 2015, which supersedes the Unified Document of Corporate Governance Recommendations of 22 May 2006.

## 1. COMPOSITION AND QUALIFICATIONS OF ITS MEMBERS

The Appointments, Remuneration and Corporate Governance Committee as at 31 December 2019 comprises the following members:



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#### LAURA G. MOLERO

**Chairman**  
Independent External Director



Ms Laura González Molero, an independent director and Spanish national. She has been a member of the Board of Directors since 2017 and the Audit Committee since 2017. She has been the Chairman of the Appointments, Remuneration and Corporate Governance Committee since 2018.

She holds a degree in Pharmacy from the Complutense University in Madrid and an Executive MBA from IE Business School.

She is currently an Independent Director of the Adecco Foundation (NGO), Bankia, Grupo Ezentis S.A. and Viscofan, S.A. Since this year she has also been President of the APD (Association for the Advancement of Management).

She previously worked at international pharmaceutical and chemical companies, having been CEO and Chairman of Merck España and Chairman of Bayer Latinoamérica, as well as an Independent Director at Calidad Pascual S.L.

#### SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

**External Proprietary Director on behalf of Corporación Financiera Alba**



Mr Santos Martínez-Conde Gutiérrez-Barquín, an external proprietary director and Spanish national. He has been a member of the Board of Directors since 2002 (re-elected in 2006, 2010, 2014 and 2018). Mr Martínez-Conde is a director on behalf of Corporación Financiera Alba, S.A. He holds a degree in Civil Engineering, a Master's degree in Business Management from ICADE and a Diploma in Nuclear Technology from ICAI.

Mr Martínez-Conde is currently the CEO of Corporación Financiera Alba, S.A. and a director of Banca March, S.A., Indra Sistemas, S.A., Bolsas y Mercados Españoles, S. A. and CIE Automotive, S.A.

The rest of his career was spent at Sener Técnica Naval e Industrial, S.A., Técnicas Reunidas, S.A., Bestinver, S.A., Corporación Borealis, S.A. and Banco Urquijo, S.A.

#### BRAULIO MEDEL CÁMARA

**Independent External Director**



Mr Braulio Medel Cámara, an independent director and Spanish national. He has been a member of the Board of Directors since 2008 (re-elected in 2012 and 2016).

He holds a degree in Economics and Business Sciences from the Complutense University of Madrid and a Master's degree in Economics and Business Sciences from the University of Málaga and is a Professor of Public Finances at the University of Málaga.

Mr Medel was Chairman of Unicaja Banco S.A. between 1991 and 2016 and currently chairs the Unicaja Banking Foundation and the Andalusian Federation of Savings Banks, as well as being Vice-Chairman of the Spanish Confederation of Savings Banks, which he headed between 1991 and 1998. He has also been Vice-Minister of Economy and Finance of the Regional Government of Andalusia and Chairman of the Andalusian Board of Economists' Associations.

#### RAFAEL MIRANDA ROBREDO

**Independent Director**  
**Independent External Director**



Mr Rafael Miranda Robredo, an independent director and Spanish national, a member of the Board of Directors and Chairman of Acerinox, S.A. since April 2014 (re-elected in 2018). Mr Miranda holds a degree in Industrial Engineering from the ICAI.

Mr Miranda is the Honorary Chairman of the Association for the Advancement of Management, Honorary Chairman of Eurelectric, and Director of Brookfield Asset Management, Parkia, S.A. and Nicolás Correa, S.A.

During his professional career Mr Rafael Miranda has held multiple positions, such as CEO of Endesa S.A. and Vice-Chairman of the Industrial Division of Campofrío S.A. His career has made him an exemplary model in the business community, both for his role in the modernisation of the electrical system and for his management of large companies.

## 2. MEETINGS HELD DURING THE YEAR, NUMBER OF ATTENDEES AND OTHER PERSONS WHO WERE PRESENT

There were no changes in the composition of this Committee in 2019. The Board of Directors of Acerinox S.A. has considered that, despite it being a listed company and being included in the IBEX 35 index, there are insufficient reasons to separate the functions between an appointments committee and a remuneration committee, as it states in its annual corporate governance report. The ARCGC has met on six occasions in 2019:

<i>Date</i>	<i>Location</i>	<i>Attendance</i>
22 January 2019	Madrid	All (4)
19 February 2019	Madrid	All (4)
22 April 2019	Madrid	All (4)
18 June 2019	Madrid	All (4)
24 October 2019	Madrid	All (4)
10 December 2019	Madrid	3

Apart from its members, the following persons, whose attendance is recorded in the minutes, were present:

- Chief Executive Officer, on several occasions
- Director of International Relations, Sustainability and Communication
- Director of Human Resources

## 3. FUNCTIONS AND TASKS PERFORMED IN 2019

The following groups of tasks that have occupied a good part of the agenda during 2019 should be highlighted:

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**a. Appointments and resignations of directors and changes in the Senior Management**

i) Directors

Resignations of Directors

This year witnessed the end of the four-year period for which Mr Conthe and Mr Johnston, both independent directors, and Mr Ballesteros, a proprietary director on behalf of Corporación Financiera Alba, were appointed. They resigned from their positions prior to the General Shareholders' Meeting. Mr Miyakusu, a proprietary director on behalf of Nippon Steel SSC, also resigned.

Re-election of Directors

Mr Johnston was re-elected by the General Shareholders' Meeting for a further four-year period.

Election of Directors

Mr Ikeda, a proprietary director on behalf of Nippon Steel SCC, and Mr Gómez Garzón, a proprietary director on behalf of Corporación Financiera Alba, were elected by the General Shareholders' Meeting to respectively replace the above-mentioned Mr Miyakusu and Mr Ballesteros.

Ratification of Directors

The General Shareholders' Meeting ratified Mr Martín, an independent director, who had previously been appointed by the Board by co-optation by virtue of having to fill the vacancy left by Ms Laura Abasolo, an independent director, in late 2018.

As a result of the above, the number of members of the Board of Directors fell from fifteen to fourteen, a figure closer to the average for the boards of Spanish listed companies.

Subsequently, after the General Shareholders' Meeting, Mr Qhena, a proprietary director from IDC, an industrial participation institute for the South African Government, submitted his resignation, having ceased to be the CEO of IDC. Until now the ARCGC has not sent any proposal or report to the Board regarding his replacement.

The Committee has duly noted that its commitment to have at least 30% of its members belonging to the less represented gender by 2020 remains pending. This commitment will influence its forthcoming proposals.

ii) Senior Management: There were changes in the Group's Senior Management in 2019. Oswald Wolfe, until then Chief Executive Officer of the Bahru Stainless subsidiary, became Director of Institutional Relations, Sustainability and Communication. His position at the above subsidiary was occupied by Mark Davis.

Fernando Gutiérrez, until said year Strategy and Raw Materials Director, became part of Senior Management without any variation in the position he holds.

At the end of the year, following the retirement of Lucien Matthews, Chief Executive Officer of Columbus, the South African subsidiary, he was replaced, including as a member of Senior Management, by Johan Strydom.

#### **b. Review of obligatory reports**

The Committee has reviewed the obligatory annual reports: the Annual Corporate Governance Report, the Annual Director Remuneration Report, the Annual Report of this Committee for 2019 and the non-Financial Information Statement, a new legislative requirement for the year that entails a special procedure every time its regulations are contained in a standard published in the Official State Gazette at the end of December. The Company also draws up the GRI report and announces it at its General Meetings.

As a result of the submission of these reports, additional explanations were requested by the National Stock Market Commission, whose replies were debated by the Committed and submitted in a timely manner.

#### **c. Matters related to remunerations, including those of the Board and the Senior Management**

Within this context the ARCGC conducted a study on the alignment of the remunerations of the Board and those of other comparable listed companies based on the data of the CNMV and the publications of experts in the field. The results of this study have not given rise to any proposal to the Board of Directors, although they will be complemented by further studies in the future.

With regard to the remunerations of the Senior Management, the remuneration policy approved in the previous year has already been fully implemented in 2019 under the supervision of the Committee. Although the base remunerations of the directors were already received in 2018, the

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bonuses accrued during said year were governed by the old system, as there was an offsetting year between the accrual and the payment of the new ones. In 2019, therefore, the new bonus system was applied in keeping with objective criteria, following the Committee's measurement of the metrics reflecting the management's commitment and the Group's different results in the areas measured. After the appropriate deliberations, the Committee made minor adjustments to the objectives assigned in 2019 in keeping with the general lines of the new system.

With regard to long-term remuneration, the Committee promoted the approval of the second cycle of the management's first long-term compensation plan. As a result, the Board approved a further acquisition of company shares in order to verify the corresponding payment whenever appropriate.

The Committee ordered an open and transparent relationship with the main voting advisors in order to explain the advantages and benefits of the remuneration system. The two main proxy advisors rated the system favourably, although one of them advocated performing a greater breakdown of the metrics used for the remuneration system by means of payment in shares, suggestions that have been borne in mind for the drawing up of future reports.

#### **d. Matters of Corporate Governance**

i) The publication of the CNMV's Technical Guide for Appointments and Remuneration Committees in the first half of the year triggered a similar process to the one the Company followed on the occasion (the previous year) of another technical guide on Audit Committees. Following a thorough analysis of the Guide and the instructions contained in it, the Committee began a discussion for the drawing up of a proposal to modify the Committee's Regulations. This was submitted to the Board in December and approved. This modification (which has been included as an Annex to the Regulations) reflects the instructions and recommendations of the market's regulatory body.

ii) The Code of Good Governance stipulates at least one annual evaluation by the Board and its Committees as a good practice. This evaluation was carried out without employing an external consultant and was based on the analysis of the points for improvement resulting from the evaluation conducted the previous year. The results revealed general satisfaction and new points for improvement.

For the evaluation to be carried out this year (2019), the Committee deemed it appropriate to extend the evaluation spectrum to the Committees, as a



result of which it will be performed not only by its members but also by the other Directors.

In relation to the above, there is the plan for training initiatives which, on the motion of the Committee, has been established for the Board, whose members have regularly attended special sessions on new standards, legislative trends and, above all, monographic exhibitions on the future prospects of stainless steel, its potential applications in the fast-evolving automotive market and the raw material markets and the importance of energy in our business. The contents of these training and information sessions are currently being defined for 2020.

iii) The Committee, as the Audit Committee does within the scope of its powers, has verified that the corporate information published on the entity's website accurately reflects reality. It therefore asks the Secretary to regularly advertise and certify said content following the appropriate verifications.

iv) The Committee helped the Chairman of the Board to prepare his speech on the status of the corporate governance he made to the General Shareholders' Meeting. Just like every year, this item was included on the Board's agenda. This presentation summarises the improvements that have been introduced into the Group's Corporate Governance and the status of the compliance with the recommendations on good governance and good practices.

v) The Succession Plan of the Chairman of the Board and the Senior Management has been revised. It will be critically analysed on an annual basis and the necessary conclusions will be drawn from it.

#### **e. Matters related to CSR and sustainability**

The supervision of the CSR system has been entrusted to this Committee by the Board's Regulations. At the request of the members of the Committee, the importance of this issue, with its presence among the items on the agenda, has grown in such a way that the status of the execution of the CSR plan was monitored mid-year and a summary of the activity was made at the end of the year. Once again the Group's actions in this field have been the subject of a specific plan for 2020. The importance of these actions has been endorsed, as stated in section a), by the creation of a Directorate within Group's Senior Management, namely that of Institutional Relations, Sustainability and Communication.

**f. Regulatory activities and issues assimilated to them**

Together with the above-mentioned tasks for the drafting of the Committee's Regulations, in 2019 the latter approved a new policy, Acerinox's General Policy on Conflicts of Interests, designed to define when such conflicts occur and between whom, the preventive measures and the ways of addressing the issues and also, if appropriate, the dispensation that the Board could grant given the circumstances, after weighing up the absence of risk in each case.

At the end of the year the Committee also began an exercise consisting of reviewing the current policies and incorporating them into the modifications that may prove to be relevant as a result of regulatory changes affecting them, new guidelines on good governance and the experience gained over the years in which they have been in force. This exercise will conclude during 2020.

**g. Other activities**

i) The ARCGC has invited the Group's Director of Human Resources, a position that was created during the year, to explain the guidelines that should govern its performance and functions over the coming years.

ii) The Committee has discussed and approved a matrix for the Board's powers as a tool to steer its decisions on proposals for and appointments of new directors and committee members. This matrix will be submitted to the Board of Directors at the end of the year for its drawing up and approval.

iii) Monitoring of the classification and assessment of reputational risks has been performed. The Company has detected a number of risks of this nature which are not fundamentally different from those of other companies in the industry and is striving to prevent, mitigate and control them. The Director of Corporate Risks, who operates under the direct authority of the Company's Chief Executive Officer, appeared to provide an update on the status of the situation in this sensitive area.

iv) The Committee set its calendar for the coming year shortly after the end of the first six months of the preceding year. A schedule has been set for 2020 with a total of seven meetings, one more than in the previous year.

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## 4. REGULATION

The Appointments, Remuneration and Corporate Governance Committee has submitted to the Board, and the Board approved at its last meeting of the year, the Annex III corresponding to the regulation of the Commission, gathering the guidelines suggested by the Technical Guide of the CNMV on Appointments and Remuneration Committee, remaining as follows:

### ***“Article 1. Composition.***

- 1. The Appointments, Remuneration and Corporate Governance Committee (hereinafter, in this annex, “the Committee”) shall comprise the number of Directors that in each case has been appointed by the Board of Directors, which may in no event be fewer than three nor greater than six.*
- 2. All of its members must be non-executive Directors appointed by the Board of Directors. The majority of the members must be independent.*
- 3. The Committee members shall be appointed for a maximum of four years and they may be re-elected one or more times for periods of equal duration.*
- 4. The Board of Directors shall appoint a Chairman of the Committee from among the independent directors who are members thereof. The Chairman shall have the sufficient capacity and availability to devote the due attention to the Committee. In the event of absence, vacancy or illness, the Chairman shall be replaced by the independent director who has served the longest in the position and if this director cannot do so, by the next director in turn.*
- 5. The Board of Directors shall also appoint a Secretary of the Committee, who need not be a Director.*

### ***Article 2. Members.***

- 1. The composition of the Committee must be diverse in terms of gender, professional experience, powers, personal abilities, sector-specific knowledge and internationalisation.*
- 2. The Board of Directors shall endeavour to ensure that the selection of the Committee members reflects the proportion of the institutional shareholders in the share capital and that the members collectively possess the knowledge and experience in corporate governance, strategic analysis and assessment of human resources, selection of directors and managers, the performance of Senior Management roles and the design of remuneration and incentive policies and plans for Directors and Managers.*

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### **Article 3. The Board's Competency Matrix.**

1. *The Committee shall draw up a matrix of required competencies for the Board of Directors that defines the aptitudes and knowledge base of the candidates for the position of director, especially in the case of independent and executive directors. This matrix shall be updated as often as the company sees fit.*
2. *The Committee shall analyse the competencies, knowledge and experience of the current Directors, to define the roles and aptitudes to be sought in future Directors. Having identified the competencies, knowledge, and experience required to sit on the Board of Directors, it shall also establish representation objectives for the less represented gender.*
3. *The Committee shall define the duties and aptitudes necessary in the candidates to fill each vacancy and evaluate the time and dedication necessary for them to efficiently perform their duties. In addition, it shall assess the suitability of each candidate, keeping a record in their proposal or report for the appointment or re-election of Directors, of the assessment conducted and the reasons that support the candidate.*

### **Article 4. Procedure.**

1. *The Chairman of the Committee shall ensure that its members participate freely in its deliberations with independence and a healthy degree of scepticism.*
2. *The independence of the Committee's actions and its members shall be preserved at all times from any instructions from or ties to third parties that might compromise it, as well as its members' freedom of judgement and opinion. A suitable atmosphere will be promoted in the Committee that encourages constructive dialogue, freedom of expression and a critical attitude, encouraging the diversity of opinions and contributing to the enrichment of the analyses and proposals.*
3. *The Committee shall maintain contact with the Chairman of the Board of Directors, with the CEO, and with the managers if it sees fit to do so, without this impinging on its independence. Other Directors, whether executive or not, managers or any other third party may be present at meetings of the Committee provided they have been invited beforehand by the Chairman of the Committee and their presence shall be restricted to those items of the agenda in relation to which they have been called. The entrances and exits of the various guests shall be recorded in the minutes. They may not attend the phases of the Committee's deliberations or voting.*

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4. *The Committee shall have access to whatever information it requires in an appropriate, opportune and sufficient manner.*
5. *The Committee shall draw up a report on an annual basis with regard to its operations that shall contain at least the regulation of its composition, roles and tasks carried out, meetings held during the financial year and the outcome of the evaluation by the Board and the committees.*

**Article 5. Appointment and dismissal of Directors and members of the Senior Management.**

1. *The Committee may or may not use an external firm to search for Directors. Before the commencement of each selection process, the required profile and capabilities of the new Director must be spelled out, in accordance with the competency matrix in force, the suitability of each candidate shall be assessed and a record made of the candidate's suitability.*
2. *Any Director may provide the names of possible candidates. The Committee shall verify that there are no relationships that could compromise any candidate's independence and will call upon the candidate to provide information about their other activities and any possible conflicts of interest that could affect him or her.*
3. *The Committee will provide the Board of Directors with the proposals for the appointment of independent Directors and report on the other directors for their designation by co-opting or for their submission to the decision of the General Shareholders' Meeting, as well as the proposal for their re-election or removal thereby. Following the appointment the candidate's formal acceptance shall be obtained.*
4. *The Committee shall assess in the proposals of proprietary directors that they deal in a consistent manner with the requests for access to the Committee by shareholders with similar shareholdings and that the requirements laid down in the Group's competency matrix are respected.*
5. *Proposals for re-election of independent directors shall take into account the same factors as those that determined their initial election, the evaluation of their performance during their term of office and their capacity to continue in a satisfactory manner, as well as the progressive renewal of the Committee.*
6. *In the event that a director steps down, the Committee shall assess the information contained in his/her resignation notice, carrying out such investigations as it sees fit and reporting the findings to the Board.*
7. *The Committee shall report the proposals for appointment and removal of Senior Managers, Secretary and Under-Secretary of the Board, and the basic*

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*conditions of their contracts and any future changes therein, as well as the appointment, removal, contract and remuneration of the CEO. For this purpose, Senior Managers or members of Senior Management apart from the CEO means the directors that perform their roles while reporting directly to the person that assigned them that role.*

## **Article 6. Remuneration of Directors and of Senior Management.**

- 1. The Committee shall propose to the Board of Directors the remuneration policy of the Directors and the Chief Executive Officer and, at a proposal from the latter, that of the members of the Senior Management - even if they are Executive Directors - assessing, including at the proposal of the CEO, the level of achievement of all Executive Directors and Senior Management of the objectives subject to variable remuneration.*
- 2. The Committee shall periodically review the remuneration policy of directors and managers and ensure that it is aligned with that of other companies with similar characteristics. Proposals made to the Board on this subject shall also take into account the economic performance of the Group's companies and the different commitments of dedication of the directors.*
- 3. The parameters to which the remuneration of the Senior Management is subject shall be approved at the proposal of the Chief Executive Officer and shall also take into account the operation of the Group's companies, financial parameters, ESG (Environmental, Social and Governance) objectives and, in general, the return for shareholders.*
- 4. The remuneration system of executive directors and senior management shall take into account those of comparable firms and seek to promote the motivation of those persons included in it, it shall provide that a part of the remuneration is subject to objective performance measurement criteria aligned with the interests of the company and shareholders and it will have systems in place to demand the return of monies received if an error is demonstrated in the assessment of the parameters determining the payment the amount thereof.*

## **Article 7. Assessment of the Board.**

- 1. The Committee shall, by delegation of the Chairman of the Board, conduct the annual evaluation of the functioning of the Board of Directors and its Committees and shall submit to the Board the results of assessment together with a proposal for an action plan or with recommendations to correct any deficiencies identified or improve the functioning of all the Group's governing bodies.*

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2. *At least every three years, such an assessment shall be carried out by an independent expert, who shall be different from the one who may have advised on the selection of Directors or remuneration systems in previous years.*

**Article 8. Promotion of diversity.**

1. *The Committee shall monitor and ensure the maintenance of the diversity standards recommended by the good governance provisions and propose a diversity policy to the Board of Directors and Senior Management and updates thereto.*

**Article 9. Promotion of talent.**

1. *In making a proposal or issuing a report, within the scope of its powers, the Committee shall give particular consideration to the potential impact that the decision submitted to the Board of Directors may have on the company's talent management and promotion strategy and will ensure the professional growth of executive directors and members of the Senior Management.*
2. *The Committee shall verify that candidate selection processes of executive directors and members of the senior management allow the recruitment of the best professionals according to the company's strategy, analyse and track international best practices in recruitment, retention, management and talent promotion.*
3. *It shall be informed about the implementation of the measures adopted at Group level to headhunt, retain, manage and promote talent, and about the training and monitoring programmes of members of Management that are in place. It shall also verify the consistency and coherence of selection policies and their alignment with the company's strategy and market conditions.*

**Article 10. Smooth operation of corporate bodies.**

1. *The Committee shall encourage the smooth operation of the corporate bodies and the harmonious exercise of their respective areas of authority, proposing any measures that may be necessary to improve them. It shall review and monitor the corporate structure of the Group and its subsidiaries.*
2. *The Committee shall ensure that the conduct of the corporate bodies is consistent with the fulfilment of the principles of good governance and transparency, as well as proposing the necessary measures for compliance with them to the Board.*

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3. *It shall periodically review the fitness for purpose of the Company's corporate governance system.*

**Article 11. Preparation of mandatory reports.**

1. *The Committee will coordinate the process of reporting non-financial information and information regarding diversity, in particular the Non-Financial Information Statement, in accordance to the applicable regulations and the international reference standards.*
2. *It shall also submit to the Board of Directors the draft of the Annual Remunerations Report, the Remunerations Policy which must be submitted to the General Shareholders' Meeting and, in general, it shall ascertain the level of compliance with the remuneration policy established by the Company and will verify the information on remuneration of Directors and Senior Managers that are contained in the various corporate documents, and it shall without prejudice to the purview of other bodies, communicate the Annual Corporate Governance Report.*
3. *The Committee shall also review the information that the entity disseminates through its website with regard to matters that fall within the purview of the Committee.*

**Article 12. Drafting and review of internal rules and regulations.**

1. *The Committee will coordinate the drafting and amending of the Articles of Association, Regulations, General Policies and other corporate-level regulations of the Acerinox Group.*
2. *It will review and assess the compliance with the Group's Corporate Responsibility and Sustainability policy and will ensure that it is oriented towards value creation.*

**Article 13. Prevention and resolution of conflicts of interest.**

1. *The Committee will promote the drafting, approval and amendment of the corporate regulations that prevent the existence of conflicts of interest and regulate how they are dealt with should they arise.*
2. *The Committee will have to report, ex officio or at the Board's request, on any situations that arise in which a risk of conflict of interest is identified among the Directors and the companies in which they carry out functions on any basis, and any Group companies when said function has not been assigned to the Audit Commission.*

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**Article 14. Succession plan.**

1. *To examine and organise the succession of the Chairman of the Board of Directors, other members of the board and the Chief Executive of the Company, and to promote the appropriate succession plan in the company's Senior Management and, if necessary, to formulate proposals to the Board of Directors so that said succession occurs in an orderly and planned manner. The succession plan will be reviewed periodically to adapt it to new needs and circumstances as they arise.*

**Article 15. Corporate Social Responsibility and Stakeholders.**

1. *The Committee will supervise the Corporate Social Responsibility policy and assess the degree to which it is being complied with, and it will supervise the relationship with the various stakeholders, including the communication strategy and relationship with shareholders and investors.*

**Article 16. Welcome programme.**

1. *New Committee members will receive, before they attend their first meeting, a welcome programme that will help them to participate actively from the moment they join.*

**Article 17. Training of Directors.**

1. *The Committee shall take care to ensure that the Directors receive the appropriate training in the activities of the company and its Group at all times and that they receive full information regarding the corporate rules and procedures.*
2. *The Committee will propose training sessions to the Board of Directors on topics of interest for the Directors and the corporate bodies themselves. It will also ensure that Directors receive sufficient information about changes in the law, public administrations or geopolitical issues whose knowledge is beneficial for the decision-making of the various corporate bodies.*

**Article 18. Meetings.**

1. *The Committee shall meet as often as it sees fit to ensure the smooth performance of its functions and at least four times a year sufficiently in advance of Board meetings.*

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2. *The Chairman of the body will organise the calendar of meetings of the year about to commence with due advance notice and will draft a non-binding provisional agenda of the main items that need to be covered in each meeting, having listened to the views of the other members of the body.*

**Article 19. External consultants.**

1. *The Committee may use the consulting services and advice of external experts in relation to matters of a technical nature and in particular with regard to remuneration, evaluation and selection matters, keeping records with sufficient transparency of any relationship or situation entailing a potential conflict of interest, reporting to the Board as applicable. The Committee's report of activities shall include all of the services rendered by external experts and their remuneration.*
2. *The Committee shall ensure that any conflicts of interest that arise do not prejudice the independence of the external advice provided to the Committee.*

**Article 20. Independence from other bodies.**

1. *The Committee shall operate completely independently with respect to instructions and guidelines from non-members, it shall maintain a constant dialogue with the Chairman of the Board of Directors, with the Chief Executive Office and with the rest of the management.*
2. *The Chairman of the Committee, if the Board of Directors so decides, may be called to appear before the General Shareholders' Meeting to report to it on matters within the scope of that body's powers".*

Laura González Molero

Chairman

Appointments, Remuneration and Corporate Governance Committee