



european corporate governance institute

Directors' Remuneration in Listed Companies

SPAIN*

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* The information and opinions included in this document are not intended to provide legal advice, and should not be relied on or treated as a substitute for specific advice concerning individual situations. The law, regulation and best practices are stated as they stood at 30 June 2003. **Please note that there are significant changes in Spanish law as of July 2003. The changes have been included in the Report.**

Questionnaire

Answers to this questionnaire should be given from the perspective of provisions included in national laws, regulations and exchange rules, and of best practices as recommended by either official reports or corporate governance codes.

1. General

1.1 Please indicate, as a general reference, the laws, case law, regulations, exchange rules and best practices concerning directors' remuneration in your country with respect to listed companies. Please indicate where these provisions (such as, for example, exchange rules) apply only to domestically-incorporated companies.

Spanish Law¹

RDLeg 1564/1989, of December 22, on “*Sociedades Anónimas*”, Spanish Public Limited Companies Act, (hereinafter, “LSA”)² provides the following with regard to Directors' remuneration:

- Section 9.h of the LSA provides the following: “The by-laws which shall govern the operation of the company, must state:
[...]
h) the structure of the body to which the management of the company is entrusted, specifying the Directors to whom power of representation is granted, as well as the rules governing its actions, in accordance with the provisions of this Act and those of the Companies Registry Regulations. The number of Directors shall also be specified being, where there exists a Board of Directors, no less than three, or, at least the maximum and minimum number, as well as the term of office and the system of remuneration, if they receive any”;
- Section 130 of the LSA provides the following: “The Directors' remuneration shall be established in the by-laws. Where it consists of a share in the profits, it may only be paid out of profits after tax, after setting aside the required amounts for the statutory reserve and the reserve provided for by the articles and after declaring a dividend to the shareholders of four percent or higher, as established in the by-laws.”
- Section 141.1 (1st paragraph) of the LSA provides the following: “Unless the by-laws otherwise provide, the Board of Directors may appoint its chairman, regulate its own operation, accept the resignation of its members and appoint from among its members an executive committee or one or more managing Directors without prejudice to the powers which it may grant to any person³”.
- Section 200.12 of the LSA provides the following: “The annual report shall contain, in addition to the matters specifically provided for in the Commercial Code and in this Act, the following:
[...]
12. The amount of salaries, allowances and emoluments of all kinds earned in the financial year by the members of the Board of Directors, on whatever basis, as well as the obligations

¹ There are specific laws such as (i) the Spanish Securities and Exchange Act, (ii) RD 377/1991, on relevant shareholdings, and (iii) OM 12-7-1993, on content of prospectuses, that will be referred to in the specific questions about them.

² This Act applies to every “*Sociedad Anónima*” (Public Limited Company) incorporated in Spain, whether it is listed or not.

³ This Section is the legal base for the Board of Directors Regulation “*Reglamento del Consejo de Administración*”.

entered into in relation to pensions or payment of life insurance premiums for former and present members of the Board of Directors.

This information shall be given as an aggregate amount for each type of payment.”

Section 124.3 of RD 1784/1996⁴, of July 19, on “*Companies Registry Regulations*”, provides the following:

“In any case, it will be indicated (in the by-laws) the number of Directors or at least, the maximum and minimum number, as well as the term for which they are appointed, and the remuneration system, if they are remunerated. The remuneration correspondent to the Directors will be equal for all of them unless the opposite is expressly stated in the by-laws”.

Act 26/2003, of July 17 2003, on Transparency, amends both the LSA and the Act 24/1988 on “*el Mercado de Valores*”, the Securities Exchange Act (hereinafter “LMV”). Pursuant to the Transparency Act amendments, the new section 116 of the LMV provides the following:

“The public limited companies listed in a stock exchange shall make public annually a report on corporate governance.

[...]

4. [...] In any case the minimum content of the report on corporate governance is the following one:

[...]

b) [...] The identity and remuneration of the members of the Board of Directors and its committees [...].”.

Spanish best practices with respect to listed companies

There are two official reports:

The first one, issued by the Special Commission to Consider a Code of Ethics for Companies’ Boards of Directors⁵, dated as of February 26, 1998 (hereinafter “The Olivencia Report”), treats the Directors’ remuneration in chapter 7, that we reproduce hereunder:

“7. Director Remuneration

7.1. Control of remuneration policies.

Director remuneration is a matter of capital importance in corporate governance and is consequently a legitimate concern for shareholders, as evidenced in our opinion survey. The available information suggests that much remains to be done in this area. Shareholders expect Directors’ remuneration should not exceed the level required to attract competent persons, that it should bear some relationship to the individual and corporate performance, and that it should be disclosed for public scrutiny. And these are precisely the guidelines which this Commission feels should apply to the policies adopted by companies in this area. To facilitate implementation and control, we insist that it is advisable that the Board create a Remuneration Committee with the characteristics already detailed in 3.6⁶ and formally give it the following

⁴ This Act applies to companies incorporated under the laws of Spain.

⁵ On February 28, 1997, the Spanish Cabinet resolved to create the Special Commission to Consider a Code of Ethics for Companies’ Boards of Directors.

⁶ “3.6. Board sub-committees.

The traditional structure of Boards of Directors needs to be complemented with other delegate bodies which are beginning to appear in Spanish corporate practice. The Commission feels, in effect, that the Board’s general supervisory function depends to a great extent on the creation of certain supporting bodies to which the examination and permanent oversight of certain areas which are of particular relevance for good corporate governance can be entrusted; these areas are: accounting information and control, appointment of Directors and senior executives, determination and review of remuneration policies, and evaluation of the governance system and the observance of its rules.

For this reason, it is recommended that the related sub-committees be formed. The Board is responsible for determining their functions and powers, and in this task it should be guided by the criteria developed in the form of best practices in both Spain and other countries. In any event, it would be appropriate to note the basic missions of the various committees. [...] The Remuneration Committee’s mission is to assist the Board in setting and supervising the remuneration policy for Directors and senior executives. [...] In general, these committees’ role is basically informative and consultative, although they may exceptionally be given decision-making powers. The idea is not that they should supplant the Board’s decisions

powers: (a) to propose to the Board of Directors the amount of the Directors' annual remuneration; (b) to periodically review the remuneration programs and consider their appropriateness and results; and (c) oversee to ensure transparency in remuneration.

7.2. The amount of remuneration.

Although the company is free to establish the remuneration, it should proceed cautiously, allowing itself to be guided by market demands and having regard to the responsibility and commitment of the role which each Director is called upon to play. Moderation should be the rule presiding over decisions in this area. Director remuneration should be set so as to offer sufficient incentives to dedication by the Director while not compromising his independence.

7.3 Remuneration structure.

In this respect, the Commission believes that it is better to use formulae which link a significant portion of Director remuneration, particularly that of executive Directors, to the company's results, since this will bring the Directors' interests more into line with those of the shareholder, which it is sought to maximise. We will not consider the advantages or disadvantages of the various forms of remuneration (incentives, payments in stock, stock options, etc.), some of which face tax obstacles in Spain which do not exist in other countries. It is the responsibility of the Remuneration Committee to consider the possibilities for configuring the remuneration and adjusting them to each company's individual circumstances. However, it should be noted that the most widespread remuneration systems in Spanish companies do not meet the above recommendation. As this Commission has discovered, the norm is for a percentage of earnings to be earmarked for Director remuneration. The problem is that this percentage acts only as an upper limit and, consequently, cannot strictly be viewed as a share in profits nor, therefore, does it achieve the desired effect.

In any event, it is important to review remuneration policies periodically in order to ensure that the amounts and structure are commensurate with the Directors' responsibilities, risks and duties. Accordingly, it is advisable for the Board itself, with the help of reports drafted for this purpose by the Remuneration Committee, to evaluate these matters at least once per year and disclose information on this area in the annual report.

7.4. Transparency in remuneration.

Because of its importance and delicacy, the matter of transparency in Director remuneration received special consideration on the part of the Commission, and it is a matter of great interest in assuring the confidence of investors and the markets in the Board of Directors.

There is a long tradition of opacity in this area in Spain, which our laws have made no effort to remove. The law requires disclosure in the annual report of the salaries, per diems and any other form of remuneration earned by the Board members and any pension or insurance premium payment obligations to former or serving Directors, but it does not impose overall

but, rather, that they should provide it with material (information, advice and proposals) with which it can effectively develop its supervisory function and improve the quality of its performance in this area.

The efficacy of these committees depends on the quality of the information they produce and, since this depends on the rigour and reliability with which it is elaborated, they need a degree of regularity in their operation and independence in their composition. With regard to this latter aspect, we believe that sub-Committees should comprise only non-executive Directors and that their composition should reasonably reflect the ratio in the Board between domestic and independent Directors. The presence of executives in these committees might impair the credibility of their information since their mission consists, to a great extent, of evaluating the executives' performance. However, this should not prevent members of the management team from attending sub-committee meetings for information purposes.

The Board of Directors is responsible for determining the number of sub-committees and the Directors who should comprise them, depending on needs and availability. In this connection, it should be noted that a separate Committee need not be created for each area of responsibility (Audit, Nomination, Remuneration and Compliance), nor is it necessary that the Directors comprising them should be different in each case. Nevertheless, barring special circumstances, we feel that it is not advisable to combine all responsibilities in a single body, since this might reduce the latter's efficiency due to overwork, lead to an excessive concentration of power and detract from the importance of the Board of Directors. It would apparently be advisable to have at least two sub-committees, one in charge of Auditing and Compliance and the other responsible for Nomination and Remuneration. In order to ensure collegiate operation, it is also recommended that any committees which are established should have at least three members".

disclosure of Director remuneration and, in practice, fails to fully satisfy the interest of shareholders and markets in this connection and can, in fact, create a distorted picture of the situation and give rise to frequent misinterpretations.

The Commission notes that the widespread expectations in this area and the reforming tendencies observed in Spanish corporate governance practices are tending unequivocally towards exceeding the minimum disclosure requirements, i.e. towards increasing transparency. Consequently, the Commission recommends that the policy of disclosing Director remuneration should be inspired by the principle of maximum transparency.

Application of this principle requires advancing as fast as possible from the current situation to full and detailed disclosure of the Directors' remuneration, including that arising from their positions as Directors (fixed fees, per diems, profit-sharing, bonuses, incentives, pensions, insurance premiums, payments in kind, etc.) and those other payments made by the company under other relationships (professional services, management or executive posts).

The Commission recommends that the companies to which this Report is addressed that choose not to apply full transparency immediately but, rather, implement it in stages, as well as companies which decide to apply it partially should publicly disclose their reasons in the company's annual report. In either case, companies should at least disclose each individual Director's remuneration, for his position as such, under each of the headings listed above, and any fees collected for professional services. The remuneration of the executive Directors can be disclosed as an overall figure, indicating the number of Directors collecting them under each of the remuneration headings. All this information should be included in the annual report.

The second official report, issued by the Special Commission for the Promotion of the Transparency and the Security in the Financial Markets and in Listed Companies⁷, dated as of January 8, 2003 (hereinafter, the "Aldama Report"), treats the Directors' remuneration in chapter 5.3 and 6, that we reproduce in Spanish hereunder:

5. 3. Appointment and Remuneration Commission.

"This Commission believes that all companies should have an Appointment and Remuneration Commission whose functions are to inform the Board of Directors about the appointments, reappointments, removals, remuneration and offices of directors and the general remuneration and incentive policy for directors and senior management.

[...]

The Commission's members are appointed by the Board of Directors among from external directors in the same proportion as on the Board itself. The Board must draft and approve, as part of the Board Regulation, the specific rules for this Commission, of which executive directors cannot form part."

"6.- Remuneration of the Board and senior management.

Although the Board's remuneration is a decision to be taken by each company, it is recommended, in general, that remuneration comprising shares of the company or group companies, stock options or options referenced to the share price be limited to executive or internal directors. If directors' remuneration is based on company earnings, regard should be had to any qualifications in the external auditor's report that have a material effect on the income statement.

One of the basic recommendations of the Olivencia Report in order to attain adequate transparency was for companies to disclose the individual remuneration of each director in as much detail as possible. The Commission is aware that this recommendation is being implemented at a slow pace and has deliberated on the matter, considering that this area is a clear indicator of the quality of corporate governance and that it fulfils a function of exemplarity for listed companies; accordingly, this Commission reminds companies that it is advisable to implement it.

⁷ On July 19, 2002, the Spanish Cabinet resolved to create the Special Commission for the Promotion of the Transparency and the Security in the Financial Markets and in Listed Companies.

The Commission believes firstly that the amount of remuneration received by each director should be disclosed in the notes to the accounts, and that all the items of this remuneration should be broken down, including the delivery or assignment of shares, stock options or systems referenced to the share price, which must be approved by the Shareholders' Meeting.

Regarding executive directors, the Commission believes that, provisionally and without detriment to the final objective, the remuneration corresponding to them as directors, which is disclosed in the notes to the accounts individually, could be separated from that corresponding to them as company managers, which is not disclosed individually but would be included in the information referred to in the next paragraph.

In any case, it is recommended that the remuneration and total cost of senior management (management committee or similar) and the number and identification of the positions comprising it should be disclosed in the annual report, with a breakdown of the items that correspond to them: salary in cash and in kind, stock options, bonuses, pension funds, provisions for indemnities and any other compensation.

Regarding the implementation of golden handshake or protection clauses in favour of companies' senior management in the event of dismissal or changes in control, although the Commission does not agree with any of those actions, it understands that they are difficult to regulate on a general basis and it recommends that each Board of Directors should self-regulate in order to avoid abusive or unjustifiable situations. In any case, it is considered necessary that any contract of this type should have the formal approval of the Board of Directors.

Once the Board has approved the amount of compensation that was agreed upon, if the amount exceeds two years' salary, the surplus must be booked as a provision in the balance sheet of the same year of the approval and the amount must be disclosed separately.”

A non official report on best practices and corporate governance of listed companies was issued by the Circle of Businessmen “*Círculo de Empresarios*”, dated as of November 14, 2002. It defends that Directors remuneration should be moderate and reasonable, giving a true and transparent information to the market, as widest as possible.

1.2 As to best practices, please specify whether they are described in either a private (voluntary or non-statutory) code or other official report, and whether a “comply or explain” principle is applicable to compliance with the relevant provisions by listed companies. Where the “comply or explain” principle applies, please indicate, where such evidence is available, whether companies generally comply with best practices.

See answer to point 1.1 in relation to the nature of Spanish best practice reports.

The recently passed Act 26/2003, of July 17 2003, establishes that listed companies and any entity that makes a public offer of listed securities have to make public annually a report on corporate governance. The content of this annual report will be established by the Ministry of Economy or, if expressly delegated, by the Spanish Securities and Exchange Commission (hereinafter “CNMV”). Within the minimum content of this report it is included the remuneration of the members of the Board of Directors. The new Act makes applicable the “comply or explain” principle in relation to the recommendations on corporate governance, and introduces a penalty for (i) not delivering the annual report on corporate governance, (ii) omissions and (iii) false or misleading data.

From the recommendations settled by the Olivencia Report, the one relative to transparency on the remuneration of the Directors is one of the least applied by companies, according to the information relative to the Olivencia Report addressed to the Spanish Securities and Exchange Commission by the companies that have adopted it.

1.3 Please describe in summary: the institutional structure for adopting executive remuneration rules or best practice codes; and any major proposals for reform concerning directors' remuneration.

The institutional structure in Spain to adopt executive remuneration rules is the same one that is applicable for passing any other law. For official best practices codes a resolution by the Board appointing the relevant Special Committee is needed. When the best practices codes are not official, there are not special requirements needed.

2. Disclosure

2.1 Are listed companies required to publish a remuneration report, indicating the details of the compensation paid to the members of the Board of Directors? How often must it be published and where is it retrievable?

No. See answer to point 1.2 in relation to the Transparency Act.

2.2 Must these reports be submitted, or are recommended to be, to a Securities Market Regulator or to a public authority responsible for collecting these documents?

Not applicable. The Transparency Act mentioned in point 1.2 establishes that the annual report on corporate governance has to be submitted to the CNMV and to other public authorities when applicable, such as the Spanish Central Bank or the General Direction of Insurances and Pension Schemes.

2.3 What information on directors' remuneration, individually and collectively, and on the remuneration committee, must be included, or is recommended to be included as best practice, in the financial reports? Please include in your answer any specific requirements which apply to particular elements of remuneration, such as stock options, bonuses, and termination payments.

Section 200.12 of the LSA provides that the following content relative to Directors' remuneration must be included in the annual reports of listed companies:

"The amount of salaries, allowances and emoluments of all kinds earned in the financial year by the members of the Board of Directors, on whatever basis, as well as the obligations entered into in relation to pensions or payment of life insurance premiums for former and present members of the Board of Directors. This information shall be given as an aggregate amount for each type of payment."

The Annual Reports of listed companies are retrievable by the shareholders in the Companies Register "*Registro Mercantil*", in the Spanish Securities and Exchange Commission, in the Stock Exchanges where the company is listed, and in the registered office of the listed companies.

The Olivencia Report recommended to make public the individual remunerations of the Directors breaking it down as maximum as possible. See answer to point 1.1.

The Aldama Report considers that the remuneration earned by every Director should be placed in the annual report, breaking down every concept, including the granting of shares, stock options, and schemes linked to the share quotation, that will require to be passed by the Shareholders Meeting. With respect to the executive Directors, the Aldama Report considers that the amount received in consideration of the post of Director (that would be placed individually in the annual report) could be separated from the amount received for the

managing functions in the company, that would be placed as an aggregate amount with the information referred to in the next paragraph.

The Aldama Report recommends to include in the Annual Report the remuneration and total cost of the senior management, together with the number and identification of the posts that compose it, breaking down the concepts to which would correspond cash salary, salary in kind, stock options, bonuses, pension schemes, indemnification provisions, and other compensations that might exist.

Finally, the Aldama Report recommends that remunerations consisting on share or stock options grants, or remunerations linked to the share quotation, should be only for the executive Directors. Directors remuneration, when fixed according to the company's results, should take into consideration the exceptions that figure in the external Auditor's report and that affect significantly to the profit and losses account.

As for termination payments of senior managers, the Aldama Report defends the self regulation by the Board of Directors with the aim of avoiding abusive or unjustifiable situations. The Aldama report also considers that termination payments of senior managers should be passed by the Board of Directors, and when its amount exceeds two years of the agreed remuneration, it recommends to allocate the excess in the balance sheet of the financial year where the termination payment was approved, placing down this amount separately.

2.4 Is timely disclosure required with respect to stock options, their vesting, exercise, and the sale of the relevant shares to third parties?

No. See paragraph 3 of answer to point 2.5 below. The minimum content of the annual report on corporate governance established in the Transparency Act does not include expressly information with respect to stock options. See answer to point 1.2. Nevertheless, this minimum content has to be further developed in regulation from the Ministry of Economy or if expressly delegated, by regulation from the CNMV.

2.5 What are the rules on disclosure of share transactions executed by the company's insiders (such as directors, officers, auditors, etc)?

RD 377/1991, of relevant shareholdings, establishes that the Directors of listed companies will communicate to the relevant company, to the Stock Exchanges where the company is listed, and to the Spanish Securities and Exchange Commission, any shares and stock options that they hold in the company, including any acquisition or transfer thereof. The communication will have to be performed within seven days from the appointment as Director, acquisition, transfer, or contract that grants the stock options.

This communication will not be applicable to EU companies incorporated under the laws of a member state that are listed in one or more EU Stock Exchanges and in a Spanish Stock Exchange. Nevertheless, these companies will have to forward the communications that have been adopted pursuant to EU Directive 88/627/CEE in their home countries within seven days from the reception of such communications.

In addition, the managers⁸ of a listed company will communicate to the Spanish Securities and Exchange Commission and disclose to the market any granting in their favour of stock option schemes or other schemes related to shares of the company, and modifications thereof. This information will have the consideration of relevant information pursuant to Section 82 of the Spanish Securities Exchange Act, that establishes how to disclose this kind of information.

2.6 What information on directors' remuneration must be included in public offer prospectuses and listing particulars?

⁸ RD 377/1991 includes in "managers" general Directors or other persons that perform senior management that report directly to the Board of Directors.

OM of July 12, 1993, relative to Prospectuses, in Annex A establishes the model of prospectus for IPOS of equities. The content of chapters VI.2.3 and VI.2.4 is the following one:

“VI.2.3. Amounts of salaries, allowances, and emoluments of all kinds earned by the referred persons⁹ during the last financial year closed, on whatever basis.

When the issuer is the head of a group obliged to consolidate its Annual Accounts, the amounts for the concepts established in the paragraph above earned by the referred persons⁹ in the whole of the dependent companies will be placed on record.

This information shall be given as an aggregate amount for each type of payment, distinguishing between Directors, managers and founders.

VI.2.4 Amounts of the obligations undertaken regarding pension schemes or life insurances respect to the founders, to the former and current members of the Board of Directors, and to the former and current managers. This information shall be given as an aggregate amount and separating the assistances.”

3. Remuneration of The Board of Directors

3.1 Who fixes the board of directors' remuneration? What are the relevant procedures? (In two-tier systems, please refer to the supervisory board.)

The corporate body in charge of fixing the Directors remuneration in Spain is the Shareholders Meeting. Pursuant to Section 130 of the LSA, Directors remuneration shall be established in the company by-laws.

3.2 Are there provisions and/or practices as to the amount of the remuneration and its distribution (for example, as to whether distribution should be proportionate) among board members? What types of remuneration are allowed?

Section 130 of LSA establishes that when the remuneration consists of a share in profits, it may only be paid out of profits after tax, after setting aside the required amounts to the statutory reserve and the reserve provided for by the articles and after declaring a dividend to the shareholders of four percent or of such higher rate as is established in the by-laws.

Section 124.3 of RD 1784/1996, on “*Companies Registry Regulations*”, provides that the remuneration correspondent to the Directors will be equal for all of them unless the opposite is expressly stated in the by-laws.

There are not legal provisions in Spain as to what types of remuneration for the Board of Directors are allowed.

3.3 Are personal loans to the company's directors and officers allowed?

There is not a specific legal provision in Spain about the subject. Therefore, it should be studied case by case taking into consideration the conditions and disclosure of the personal loan and its treatment in the balance sheet and in the profit and loss account.

⁹ Members of the Board of Directors, managers and other persons that undertake the management of the company in the highest level and founders of the company if it was incorporated less than five years ago.

4. Executive Directors' Remuneration

4.1 Who fixes the executive directors' remuneration? What are the relevant procedures? Are shareholders required to approve directors' remuneration, the remuneration policy, or the remuneration report (see question 2) on an annual or other basis? (In two-tier systems, please refer to the management board.)

The corporate body in charge of fixing the Executive Directors' remuneration in Spain is the Shareholders' Meeting. Shareholders are not required to approve Directors remuneration periodically, but only by means of establishing remuneration in the company's articles (Section 130 of the LSA). In any case, the articles contain only the basic system of remuneration, and, therefore, the board of directors sets the concrete terms for remuneration of directors.

4.2 Is the board required, or recommended as best practice, to create a remuneration committee?

It is considered best practice that the Board of Directors creates a remuneration committee.

See footnote 6 in page 3 relative to the recommendations settled by the Olivencia Report in relation to the remuneration committee.

The Aldama Report recommends listed companies in Spain to establish a remuneration committee called "*Comisión de Nombramientos y Retribuciones*" whose members should be designated by the Board of Directors from the non executive Directors, following the proportion of non executive Directors (Domianial and Independent) that exists in the Board of Directors. Executive Directors will not be able to be members of the remuneration committee. There are not special procedures for the appointment of independent non-executive Directors. The main purpose of this remuneration committee is to report to the Board of Directors about appointments, re-elections, dismissals and remuneration of the Board of Directors and its members, as well as about the general policy on remuneration and incentives for the Board of Directors, its members, and the senior management.

There are no recommendations about how the committee should operate.

Finally, the Aldama Report states that the Board of Directors will pass specific rules for the remuneration committee, which will be included in the Board of Directors Regulation "*Reglamento del Consejo de Administración*". See answer to point 1.1 in relation to the Aldama Report recommendations regarding the remuneration committee.

If yes, please specify:

- i) the committee's composition (if independent directors should be appointed to this committee, please give the relevant definition and indicate whether any special procedures apply to the appointment of independent non-executive directors)**
- ii) the committee's competences and which company body it reports to**
- iii) how the committee operates**

4.3 Which types of remuneration are permitted?

There are no legal provisions in Spain as to what types of remuneration are allowed for the Board of Directors. All types of remuneration are possible.

In answering, please consider each of the following:

- i) bonuses
- ii) stock options, including discounted stock options
- iii) stock grants
- iv) profit sharing
- v) benefits in kind

4.4 Are there specific rules, including shareholder approval requirements, as to these different types of remuneration?

Article 130 of the LSA establishes that profit sharing can only be possible where there are liquid profits, reserves by law or by statutes are fully covered, and the shareholders are given a dividend of 4%, or a higher dividend fixed in the statutes.

Additional Disposition 4 of LSA provides that the implementation of remuneration systems consisting on share or stock option grants, and any other remuneration system linked to the share quotation, addressed to general Directors or other persons that perform senior management reporting directly to the Board of Directors, executive commissions or managing Directors of the listed company, needs be passed by the Shareholders Meeting.

4.5 Are there any restrictions on how payments are made?

There is no specific legal provision in Spain on how payments should be made.

4.6 Are there any specific requirements for termination payments made on loss of office, whether through dismissal, retirement, on a takeover, or otherwise?

See last paragraph of the answer to point 2.3.

4.7 Are there any specific requirements concerning directors' service contracts with respect to, for example, their duration and disclosure?

There are no legal provisions in Spain that restricts this extent.

5. Non-executive Directors' Remuneration

5.1 Are non-executive directors separately paid for their participation in committees of the board of directors? Do any restrictions apply to the payment of non-executive directors' via stock options?

There is no specific legal provision in Spain on the remuneration of non-executive Directors, although usually they are paid separately.

There is no specific legal provision in Spain that restricts the use of stock options to remunerate non-executive Directors, although in the Aldama Report it is recommended that remunerations consisting on share or stock options grants, or remunerations linked to the share quotation, should be used only for the executive Directors.

5.2 May a company make payments to non-executive directors, additional to their directors' fees, for services, such as legal or brokerage services, outside the usual scope of directors' duties?

There is no specific legal provision in Spain that restricts this possibility.