

**Internal Regulations governing the  
Appointments and Remuneration Commission**

**These Internal Regulations that govern Appointments and Remuneration Commission have been approved by a resolution passed by the Board of Directors on 24th April 2003. And modified by agreement of the Board of Directors on 28<sup>th</sup> February 2005, 2003, and modified again by agreement of the Board of Directors of 18<sup>th</sup> December 2007.**

Article 2. In force text incorporated according to agreement of the Council of Administration of date February 28, 2005.

Modifying articles 1 y 3, by agreement of the Board of Directors of 18<sup>th</sup> December 2007. The complete text incorporates all modifications as at this date.

Article 1.- Composition. Designation of its Members.

The Appointments and Remuneration Commission shall be formed by three Directors, designated by the Board of Directors. At least two of them shall be non-executive Directors, thus maintaining the majority of non-executive members.

The designation shall be for a maximum period of four years, renewable for maximum periods of like duration.

The Appointments and Remuneration Commission must establish procedures, which must be approved by the Board of Directors, and ensure that in the event of new vacancies:

- a) The selection procedures do not suffer from any inherent bias that may obstruct the selection of directors;
- b) The Company deliberately seeks and includes women that match the professional profile sought, among the potential candidate.

Article 2.- Chairman and Secretary.

The Appointments and Remuneration Commission shall initially elect its Chairman from among the members that are non-executive Directors in a term that will not be superior to four years. A minimum period of one year must elapse prior to the re-election of the same director as chairman.

The person responsible for Company Remuneration shall act as Commission Secretary.

## Article 3.- Functions and Competencies.

The minimum responsibilities entrusted to the Appointments and Remuneration Commission by the Board of Directors are:

1. Inform the Board of Directors of all proposals to be made to the General Shareholders' Meeting regarding appointments, re-elections and resignations from the Board and the responsibilities of these positions, including the case of individuals co-opted to the Board of Directors. In the case of non-executive Directors, the Commission or Commission will propose their appointments, re-elections and resignations, including the case of individuals co-opted to the Board of Directors.
2. Evaluate the skills, knowledge and experience required by the Board; to define the abilities and functions required by candidates to cover vacancies; and to assess the time and dedication required by Board members to fully carry out their functions;
3. Examine and organise the succession of the Chairman and CEO and make proposals to the Board, as appropriate, so that any succession occurs in an orderly and well planned way;
4. Inform the Board of any appointments or resignations of senior managers proposed by the CEO.
5. Inform the Board about gender diversity issues.
6. Propose to the Board of Directors:
  - i) The remuneration policy for directors and senior management;
  - ii) The individual remuneration of the directors and the approval of the contracts that the Company signs with each executive director;
  - iii) The basic conditions of contracts for senior management.
7. Ensure that the remuneration policy established by the Company is followed.
8. Consult with the Chairman or CEO of the Company, especially in relation to issues connected to executive directors and senior management.
9. Analyse applications from any director, when taking potential candidates into consideration to cover director vacancies.
10. Verify annually the character of the directors.

11. Draft an annual report on the activities of the Appointments and Remuneration Commission, that shall be included in the Management Report, and an annual report on the remuneration policy for directors.

## Article 4.- Meetings. Calling.

The Appointments and Remuneration Commission shall meet as often as is required to comply with the functions indicated in article 3 above, and at least once every six months. The meetings, of a general nature, shall be held in the Company's head offices. However, its members may designate somewhere else for a specific meeting.

The Appointments and Remuneration Commission shall also meet on any occasion on which it is called by the Chairman, under his/her own initiative or on the instance of any of its members, who in any event may inform the Chairman of the convenience of including a specific item on the Agenda of the following meeting. The calling must be made with sufficient advance notice, which must be no less than three days, and in writing, and it must include the Agenda. Nonetheless, the meeting of the Appointments and Remuneration Commission shall also be valid when, upon all its members being present, they agree to hold a meeting.

## Article 5.- Quorum.

The Appointments and Remuneration Commission shall be considered to be validly constituted when the majority of its members is present. Attendance may only be delegated in a non-executive Director.

The resolutions shall be validly adopted when the majority of the Commission members present vote in favor. In the event of a tie, the Chairman shall have the casting vote.

(The text of these rules end with the paragraph above).

This existing version of the Rules of the Appointments and Remuneration of Befesa Medio Ambiente has been approved by the meeting of the Board of Directors of 18 December 2007.

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