

"Free translation of the original in Spanish. In the event of discrepancy,
the Spanish Version prevails"

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

ISSUER IDENTIFICATION NUMBER	YEAR	2007
Tax ID Number.		

Name:
DOGI INTERNATIONAL FABRICS, S.A.

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR LISTED COMPANIES

For a better understanding of the form, please read the instructions at the end before filling it out. Provide the tax identification number or similar code in all cases where it is necessary to fully identify individuals or companies. This information shall be treated as private information:

Tax ID number	Other information

A SHAREHOLDING STRUCTURE

A.1 Complete the following table regarding the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
8 March 2007	36,197,527.50	60,329,212	60,329,212

Are there different classes of shares carrying different rights?

Yes

No

Class	Number of shares	Par value per share	Number of voting rights per share	Other rights
A	60,329,212	0.60	1	-

A.2 List the direct and indirect holders of significant shareholdings in the company at the end of the financial year, excluding members of the board of directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Bolquet, S.L.	5,640,626		9.350%
Investholding JD, S.L.	1,041,000		1.726%
Inversora en Bienes Patrimoniales, S.L.	1,125,098		1.865%

(*) Through:

Name of direct shareholder	Number of direct voting rights	% of total voting rights

Indicate the most significant movements in the shareholding structure during the year:

Name of shareholder	Transaction date	Description of the transaction

A.3 Complete the following chart regarding members of the board of directors that hold voting rights through shares in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Mr. Josep Domènech Giménez	7,184,563	7,806,724	24.850%
Mr. Eduard Domènech Álvaro	13,160	-	0.022%
Mr. Sergi Domènech Álvaro	13,160	-	0.022%
Mr. Rafael Español Navarro	4,770	-	0.008%
Mr. Carlos Franqués Ribera	7,200	-	0.012%
Mr. Carlos Jaime Miguel Schröder Quijano	293,904	-	0.487%
Mr. Jordi Torras Torras	666	74,183	0.124%
FIATC MUTUA DE SEGUROS Y REASEGUROS A PRIMA FIJA, represented by Mr. Joan Castells Trius	315,800	-	0.523%
Total	7,833,523	7,880,907	26.048%

(*) Through:

Name of direct shareholder	Number of direct voting rights	% of total voting rights
Bolquet, S.L.	5,640,626	9.350%
Investholding JD, S.L.	1,041,000	1.726%
Inversora en Bienes Patrimoniales, S.L.	1,125,098	1.865%
Gertoca, S.L.	74,183	0.123%

% of total voting rights held by members of the board of directors	26.048%
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Complete the following table regarding members of the board of directors that hold company share options:

Name of director	Number of options held directly	Number of options held indirectly	Equivalent number of shares	% of total voting rights

- A.4 Indicate any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as they are known to the company, except where they are insignificant or derive from ordinary commercial transactions of the company:

Name of related party	Type of relationship	Brief description

- A.5 Indicate any commercial, contractual or corporate relationships between owners of significant shareholdings and the company and/or the group, except where they are insignificant or derive from ordinary commercial transactions of the company:

Name of related party	Type of relationship	Brief description
Bolquet, S.L.	Contractual	Sublease of buildings comprising the company's plant in El Masnou (Barcelona). Lease payments during 2007 amounted to €1,497 thousand.
Bolquet, S.L.	Contractual	Services rendered for €10 thousand in 2007. Services received for €31 thousand in 2007.
Investholding JD, S.L.	Contractual	Rental of part of a building in Cardedeu (Barcelona). Lease payments amounted to €120 thousand in 2007.
Investholding JD, S.L.	Contractual	Services rendered for €20 thousand in 2007.
Mr. Josep Domènech Giménez	Contractual	Remuneration in the form of life insurance premiums contracted by Dogi International Fabrics, S.A. and per diem allowances for the chairman of the board of directors, amounting to €34 thousand.
Inversora en Bienes Patrimoniales, S.L.	Contractual	Rental of part of a building in Cardedeu (Barcelona). Lease payments amounted to €93 thousand in 2007.

- A.6 Has the company been notified of any shareholders' agreements which affect the company in accordance with article 112 of the Stock Market Law? If so, briefly describe these agreements and list the shareholders that are party thereto:

Yes No

Parties to the shareholders' agreement	% of share capital affected	Brief description of the agreement

Has the company been notified of any concerted actions between shareholders? If so, briefly describe these actions:

Yes No

Parties to the concerted action	% of share capital affected	Brief description of the concerted action

Expressly indicate any changes in or termination of shareholders' agreements or concerted actions during the year:

- A.7 Is there any individual or company which exercises or could exercise control over the company in accordance with article 4 of the Stock Market Law? If so, identify that party:

Yes No

Name
Mr. Josep Domènech Giménez

Notes
Mr. Josep Domènech Giménez is the only party holding a significant interest in the company (24.850% of share capital).

- A.8 Complete the following chart regarding the company's treasury shares:

At year end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
740,500	-	1.227%

(*) Through:

Name of direct shareholder	Number of direct shares
Total:	

List any significant changes during the year, in accordance with Royal Decree 1362/2007:

Date reported	Total shares acquired directly	Total shares acquired indirectly	% of total share capital
24-04-2007	840,000	0	1.392%
27-04-2007	406,915	0	0.674%

Gains / (losses) on treasury shares disposed of during the year	(176,651)
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A.9 List the conditions and the term of any authorisation granted to the board of directors at the general shareholders' meeting for acquiring or transferring treasury shares.

At the ordinary general meeting held on 24 May 2007, the shareholders authorised the board of directors to carry out a derivative acquisition of treasury shares through the sale and purchase, swap, awardal as payment or any other means provided for by law, within the limits and subject to the requirements set out in article 75 of the Spanish Companies Act.

A.10 State any legal and statutory restrictions to voting rights, as well as any legal restrictions to acquisition or transfer of share capital holdings.

Are there any legal restrictions to the exercise of voting rights?

Yes No

Maximum percentage of voting rights a shareholder may exercise (legal restriction)	
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Are there any statutory restrictions to the exercise of voting rights?

Yes No

Maximum percentage of voting rights a shareholder may exercise (statutory restriction)	
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Description of legal and statutory restrictions to the exercise of voting rights

Are there any legal restrictions to the acquisition or transfer of share capital holdings?

Yes No

Description of any legal restrictions to the acquisition or transfer of share capital holdings

A.11 Have the shareholders, at their general meeting, authorised preventative anti-takeover defences ("poison pills") in accordance with Law 6/2007?

Yes No

If so, briefly describe the measures approved and the terms in which restrictions become ineffective:

B) STRUCTURE OF THE COMPANY'S ADMINISTRATION

B.1 Board of directors

B.1.1 State the maximum and minimum number of directors as established in the by-laws:

Maximum number of directors	10
Minimum number of directors	3

B.1.2 Complete the following chart identifying the members of the board of directors:

Name	Representative	Board position	Date of first appointment	Date of last appointment	Election procedure
Mr. Josep Domènech Giménez		Chairman	27-04-1976	24-05-2007	General shareholders' meeting
Mr. Carlos Jaime Miguel Schröder Quijano		Managing director	10-12-1997	26-06-2003	General shareholders' meeting
Mr. Antonio Peñarroja Castell		Secretary of the board of directors	7-03-1983	24-05-2007	General shareholders' meeting
Mr. Francesc Cunill Izquierdo		Nominee director	7-03-1983	24-05-2007	General shareholders' meeting
Mr. Eduard Domènech Álvaro		Director	10-12-1997	26-06-2003	General shareholders' meeting
Mr. Sergi Domènech Álvaro		Director	10-12-1997	26-06-2003	General shareholders' meeting
Mr. Rafael Español Navarro		Director	24-04-2002	24-05-2007	General shareholders' meeting
FIATC Mutua de Seguros y Reaseguros a Prima Fija, Representative	Mr. Joan Castells Trius	Director	26-05-2005	26-05-2005	General shareholders' meeting
Mr. Carlos Franqués Ribera		Director	30-06-2001	25-05-2006	General shareholders' meeting
Mr. Jordi Torras Torras		Director	22-01-2004	22-01-2004	Elected by the board itself to fill a vacancy; subsequently ratified at the general shareholders' meeting

Total number of directors	10
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Identify any directors who have left the board during the period:

Name of director	Position of the director upon leaving the board	Date

B.1.3 Complete the following chart regarding the types of members of the board of directors:

EXECUTIVE DIRECTORS

Name of director	Committee proposing appointment	Position within the company
Mr. Carlos Jaime Miguel Schröder Quijano	-	Managing director
Mr. Eduardo Domènech Álvaro	-	Director – Global purchases manager
Mr. Sergio Domènech Álvaro	-	Director – Group marketing director

Total number of executive directors	3
% of total directors	33.33%

EXTERNAL NOMINEE DIRECTORS

Name of director	Committee proposing appointment	Name of significant shareholder represented or who proposed appointment
Mr. Josep Domènech Giménez	-	Mr. Josep Domènech Giménez
Mr. Francesc Cunill Izquierdo	-	Mr. Josep Domènech Giménez
Mr. Antonio Peñarroja Castell	-	Mr. Josep Domènech Giménez

Total number of nominee directors	2
% of total directors	20%

EXTERNAL INDEPENDENT DIRECTORS

Name of director	Profile
Mr. Carlos Franqués Ribera	Degree in Economics from the Universidad de Barcelona and Professor of Mercantile Business. Senior Management Programme degree from the IESE Business School. Chairman of JOYCO

	until 1998 and member of the board of directors of Gallina Blanca and of the steering committee of Agrolimen – one of the largest Spanish business conglomerates. Appointed independent director of DOGI in 2001.
FIATC Mutua de Seguros y Reaseguros a Prima Fija. Represented by: Mr. Joan Castells Trius	Degree in Economics and Insurance Actuarial Sciences by the Universidad de Barcelona. Appointed independent director in 2005 as representative of FIATC Mutua de Seguros y Reaseguros a Prima Fija. Since 1980 he has carried out activities for FIATC and is currently executive chairman, as well as board member with various positions in certain subsidiaries and president of the FUNDACIÓ PRIVADA FIATC employers' association. Member of the board of directors of La Seda de Barcelona, in representation of FIATC, in Catalana d'Iniciatives; member of Consell Consultiu de l'Assegurança Privada and the executive committee of UNESPA. Mr. Castells Trius is vice-chairman of UCEAC, chairman of the board of directors of FIMAC Mutua de Accidentes de Trabajo y Enfermedades de la Seguridad Social nº 35, member of the board of directors of Foment del Treball Nacional and member of the Committee on the Economy.

Total number of independent directors	2
% of total directors	20%

OTHER EXTERNAL DIRECTORS

Name of director	Committee proposing appointment
Mr. Rafael Español Navarro	-
Mr. Jordi Torras Torras	-

Total number of other external directors	2
% of total directors	20%

Explain why these directors cannot be considered nominee or independent directors and their relationships with the company, other directors and/or shareholders:

Name of director	Reasons	Related company, director or shareholder
Mr. Rafael Español Navarro	Mr. Español is no longer an independent director, as Dogi does not have such a delegate body	Dogi International Fabrics, S.A.
Mr. Jordi Torras Torras	Mr. Torras renders advisory and consulting services to Dogi through his company	Dogi International Fabrics, S.A.

	Gertoca, S.L.	
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Indicate any changes in the status of each director during the period:

Name of director	Date	Previous status	Current status
Mr. Josep Domènech Giménez	24 May 2007	Chairman of the board of directors and managing director (executive director)	Chairman of the board of directors, external nominee director
Mr. Carlos Jaime Miguel Schröder Quijano	24 May 2007	External director	Managing director (executive director)
Mr. Rafael Español Navarro	24 May 2007	Independent director	External director

B.1.4 Explain why nominee directors have been named at the request of shareholders owning less than 5% of capital

Name of director	Reason

Has the board denied requests for representation submitted by shareholders with an equal or higher holding than other shareholders who had requested and were granted representation through nominee directors? If so, explain why such requests were not granted:

Yes

No

Name of shareholder	Explanation

B.1.5 Indicate whether any directors have resigned from the board prior to completion of their appointed term, whether any explanation was given and through what means. In the event the director submitted a written resignation to the entire board, explain at least the reasons provided in this notice:

Name of director	Reason for resignation

B.1.6 List any powers delegated to the managing director(s):

Name of director	Brief description

B.1.7 List any members of the board of directors that are directors or executives in other companies forming part of the same group as the company:

Name of director	Name of the group company	Position
Mr. Josep Domènech Giménez	<ul style="list-style-type: none"> • S.A. Société Nouvelle Elastelle (France) • Textiles ATA, S.A. de C.V. (Mexico) • EFA, Inc. 	<ul style="list-style-type: none"> • Director • Director • Director
Sergio Domènech Alvaro	<ul style="list-style-type: none"> • Dogi Fabrics (Jiangsu) Company Ltd. (China) • Penn Asia Co. Ltd. (Thailand) • Dogi Hong Kong Ltd. • DOGIEFA Private Ltd. • S.A. Société Nouvelle Elastelle (France) • EFA, Inc. 	<ul style="list-style-type: none"> • Director • Director • Director • Director • Director
Mr. Eduardo Domènech Alvaro	<ul style="list-style-type: none"> • Dogi Fabrics (Jiangsu) Company Ltd. (China) • Penn Asia Co. Ltd. (Thailand) 	<ul style="list-style-type: none"> • Director • Director

	<ul style="list-style-type: none"> • Textiles ATA, S.A. de C.V. (Mexico) • EFA, Inc. 	<ul style="list-style-type: none"> • Director • Director
Mr. Antonio A. Peñarroja Castell	<ul style="list-style-type: none"> • Textiles ATA, S.A. de C.V. (Mexico) 	<ul style="list-style-type: none"> • Director

B.1.8 List any members of the board of directors of the company which also serve on the board of other non-group companies listed on the Spanish exchange, of which the company has been notified:

Name of director	Name of listed company	Position
Mr. Rafael Español Navarro	La Seda de Barcelona, S.A.	Chairman of the board of directors
FIATC Mutua de Seguros y Reaseguros a Prima Fija. Represented by: Mr. Joan Castells Trius	La Seda de Barcelona, S.A.	Independent director

B.1.9 Has the company established a limit to the number of boards on which directors of the company may serve? If so, provide further information.

Yes

No

Details of the limits established

B.1.10 With respect to recommendation number 8 of the Unified Code, indicate the general policies and strategies of the company that the board reserves the right to approve:

	Yes	No
Investment and financing policy	X	
Design of the group structure	X	
Corporate governance policy	X	
Corporate social responsibility policy		X
Strategic or business plans, management targets and annual budgets	X	
Remuneration and evaluation of senior officers	X	
Risk control and management policies and the periodic monitoring of internal information and control systems	X	
Dividends policy, as well as the policies and limits applying to treasury shares	X	

B.1.11 Complete the following chart regarding aggregate remuneration accrued by directors during the year:

a) In the company to which this report refers:

Remuneration	Thousands of euros
Fixed remuneration	513
Variable remuneration	23
Per diem allowances	144
Other directors' fees	0
Share options and/or options on other financial instruments	0
Other	138
TOTAL	818

Other benefits	Thousands of euros
Advances	0
Loans	57
Pension plans and funds: Contributions	0
Pension plans and funds: Commitments	0
Life insurance premiums	16
Guarantees extended on behalf of directors	0

b) For serving on the boards of directors and/or in senior management positions of other group companies:

Remuneration	Thousands of euros
Fixed remuneration	
Variable remuneration	
Per diem allowances	
Other directors' fees	
Share options and/or options on other financial instruments	
Other	
TOTAL	

Other benefits	Thousands of euros
Advances	
Loans	
Pension plans and funds: Contributions	
Pension plans and funds: Commitments	
Life insurance premiums	
Guarantees extended on behalf of directors	

c) Total remuneration by type of director:

Type of director	By the company	By the group
Executive	318	0
External nominee	85	0
External independent	36	0
Other external	379	0
Total	818	0

d) With respect to profits attributed to the parent company:

Total remuneration of directors (thousands of euros)	818
Total remuneration of directors as a % of profit attributed to the parent company	(3.79)

B.1.12 List the members of senior management that are not executive directors, and indicate the total remuneration accrued by these employees during the year:

Name	Position
Mr. Carlos Jaime Miguel Schröder Quijano	Managing director
Ms. Mercè Barbé Mundet	Group financial manager
Ms. Anna Cano	Corporate communications manager
Mr. Joan Currius Espelt	Director of innovation and new designs
Mr. Eduard Domènech Álvaro	Global purchases manager
Mr. Sergio Domènech Álvaro	Global marketing director
Ms. M ^a Luisa Engel	Global organisation and systems manager
Ms. Rosa M ^a Humet	Global director of human resources
Mr. Guy Reed	Global sales manager
Mr. Markus Regenstein	Penn Elastic brand manager
Mr. James Robbins	EFA brand manager
Mr. Josep Ruiz Muntasell	Global industrial operations manager
Ms. Divinia R Sayson	Internal audit
Mr. Francisco Jose Joaquin Schröder Quijano (until 1 March 2007)	International operations manager

Total remuneration of senior management (thousands of euros)	1,142
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B.1.13 State, on an aggregate basis, whether any golden parachute clauses exist for members of senior management of the company or the group, including executive directors, with respect to dismissal or changes in control. Indicate whether these contracts must be reported to and/or approved by governing bodies of the company or the group:

Number of beneficiaries	
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	Board of directors	General shareholders' meeting
Body authorising the clauses		

	YES	NO
Are the shareholders informed of these clauses at the general meeting?		

B.1.14 Describe the procedure for establishing remuneration of members of the board of directors and the relevant sections of the by-laws:

Procedure for establishing remuneration of the members of the board of directors

and relevant clauses in the by-laws
Article 24 - Remuneration of the members of the board of directors – Members of the board of directors shall receive remuneration. At their general meeting the shareholders shall determine the amount of remuneration for each year, which shall consist of a periodic fixed portion and which may vary for each director. Remuneration shall not include a share in profits of the company.

Indicate whether the board of directors reserves the right to approve the following decisions:

	Yes	No
As proposed by the chief executive of the company, the appointment and possible removal of senior officers, as well as clauses governing indemnities therefore.		X
Remuneration of directors as well as additional remuneration of executives for their executive functions and other contract conditions.	X	

B.1.15 Does the board of directors approve a detailed remuneration policy?

Yes No

Indicate the matters regarding which the board issues resolutions:

	Yes	No
Amount of fixed remuneration, with a breakdown, where appropriate, of per-diem allowances for attendance at board and board committee meetings and the total estimated fixed annual payment they give rise to	X	
Variable remuneration items		X
Main characteristics of employee welfare systems, with an estimate of the amount or equivalent yearly cost		X
Contract conditions for senior officers and executive directors		X

B.1.16 Does the board of directors submit a consultative report on the remuneration policy of directors to the shareholders at their general meeting, as a separate agenda point? If so, describe the portions of the report relating to the remunerations policy approved by the board of directors for future years, the most significant changes in these policies

compared to the policy applied in the current year, and an overall summary of how the remunerations policy was applied during the year. Provide details on the role of the remuneration committee and whether any external advisors have been contracted. Identify any external advisors.

Yes **X**

No

Details of the report on the remunerations policy
As indicated in section B.1.14 above, article 24 of the company by-laws establish that the amount of remuneration of directors will be determined by the shareholders at the general meeting.

Role of the remuneration committee

	Yes	No
Have external advisors been used?		
Name(s) of the external advisor(s)		

B.1.17 List any members of the board of directors that are also members of the board of directors, executives or employees of other companies that have significant shareholdings in the listed company and/or in group entities:

Name of director	Significant shareholder	Position
Mr. Josep Domènech Giménez	Mr. Josep Domènech Giménez	Chairman of the board of directors

Provide details of any relevant relationships between the members of the board of directors and significant shareholders of the company and/or of group entities other than those disclosed above:

Name of director	Name of related significant shareholder	Description of the relationship
Mr. Eduardo Domènech Álvaro	Mr. Josep Domènech Giménez	Mr. Eduardo Domènech is the son of Mr. Josep Domènech
Mr. Sergio Domènech Álvaro	Mr. Josep Domènech Giménez	Mr. Sergio Domènech is the son of Mr. Josep Domènech

B.1.18 Have the regulations governing the board of directors been modified during the year?

Yes No

Description of the modifications

B.1.19 Describe the procedures for appointing, re-electing, evaluating and removing directors. Describe the competent bodies, the procedures to be followed and the standards to be applied in each procedure.

The members of the board of directors are elected by the shareholders at the general meeting in accordance with law and the company by-laws. It is not necessary to be a shareholder to serve as director of the company.

At the general meeting the shareholders may vote to remove members of the board of directors without stating the cause thereof, providing the decision is made by the majority required by law and in the company by-laws.

Appointment to the board of directors is effective upon acceptance of the position and must be entered into the Companies Registry within ten days of that date, expressly indicating the full name, marital status, address, nationality and identity document of directors, as well as any other information required by law.

B.1.20 Indicate under what circumstances directors are obliged to resign.

Members of the board of directors are required to resign from the board in the cases established in prevailing legislation and, in particular, in the event any of the potential conflicts of interest scenarios set out by law should arise. Membership of directors reaching the age of 70 shall come under review by the board, which may either remove the director or confirm the post.

B.1.21 Do the duties of the chief executive fall upon the chairman of the board of directors? If so, indicate the measures taken to limit the risk of accumulation of powers in a single person:

Yes No

Measures to limit risk

Has an independent director been empowered to request these calling of board meetings or the inclusion of new business on the agenda, to coordinate or give voice to the concerns of external directors and to lead the board's evaluation of the chairman? If so, explain these regulations.

Yes No

Regulations
Article 13 of the regulations establishes that ordinary meetings of the board of directors will be held quarterly, and shall be convened by the chairman. Extraordinary meetings will be held as required for the interest of the company, as convened by the chairman, or upon the request of any directors. In this latter case the chairman will convene a meeting within ten days of receiving the request. Requests for an extraordinary meeting of the board of directors should clearly state the matters to be discussed and the reasons justifying an extraordinary meeting.

B.1.22 Are qualified majorities required for certain resolutions, other than those established by law?

Yes No

Describe how resolutions are adopted the board of directors, indicating the attendance quorums and the type of majority needed to pass resolutions:

Adoption of resolutions		
Description of the resolution	Quorum	Type of majority
All	50% plus one member of the board of directors	Absolute majority

B.1.23 Are there specific requirements, other than those related to directors, for being appointed chairman of the board?

Yes No

Requirements

B.1.24 Does the chairman have the casting vote?

Yes No

Issues on which there is a casting vote
In the event of deadlock in any agreement

B.1.25 Do the by-laws or the regulations governing the board of directors establish an age limit for directors?

Yes No

Age limit (chairman) 70

Age limit (managing director) 70 Age limit (director) 70

B.1.26 Do the by-laws or the regulations governing the board of directors limit the term for independent directors?

Yes No

Maximum term (years)	5
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B.1.27 In the event there are no or very few female directors, explain the reasons therefor and the measures taken to remedy the situation.

Explanation of the reasons and the initiatives taken
There are currently no female directors serving on the board. However, the board is considering the possibility of incorporating a female director with the target profile.

Has the nomination and remuneration committee established selection procedures free of any implicit bias against female candidates, and does the committee actively search for female candidates with the target profile?

Yes No

Describe the main procedures

B.1.28 Describe any formal procedures for proxy voting in the board of directors.

As per the regulations governing the board of directors, directors must strive to attend every board meeting. Where a director is unable to personally attend a meeting, a proxy will be designated from among the other members of the same group of directors and the proxy will receive proper instructions for this function.

B.1.29 State the number of board meetings held during the year, as well as the number of times the board met in the absence of the chairman.

Number of board meetings	7
Number of board meetings held in the absence of the chairman	0

Indicate the number of meetings held by the different board committees:

Number of executive committee or delegate committee meetings	N/A
Number of audit committee meetings	2
Number of nomination and remuneration committee meetings	N/A
Number of nomination committee meetings	N/A
Number of remuneration committee meetings	N/A

B.1.30 State the number of board meetings held at which not all members were present, including any meetings at which proxies were present but lacked specific instructions.

Number of absences during the year	<u>2</u>
Number of absences as a % of total votes during the year	0.2%.

B.1.31 Are the individual and consolidated annual accounts certified prior to their submission for approval by the board?

Yes No

Indicate the person(s) certifying the individual and consolidate annual accounts prior to board authorisation:

Name	Position

B.1.32 Describe any mechanisms established by the board of directors to ensure that the auditors' report on the individual and consolidated annual accounts contain no qualifications upon submission of the accounts to the shareholders at their general meeting.

The audit committee is responsible for coordinating with external auditors during the audit process. The company's internal audit department meets with the external auditors several times during the year to analyse any issue which could have a significant impact on the auditors' report.

B.1.33 Is the secretary of the board of directors also a director?

Yes No

- B.1.34 Describe the procedures for appointing and removing the secretary of the board of directors, indicating whether appointment and removal require a report from the nomination committee and approval by the board.

Appointment and removal procedure
In accordance with article 11 of the regulations governing the board of directors, the secretary is elected from among the members of the board.

	<u>Yes</u>	<u>No</u>
Does the nomination committee issue a report on the appointment?		
Does the nomination committee issue a report on the removal?		
Does the board of directors approve the appointment?	X	
Does the board of directors approve the removal?	X	

Is the secretary of the board of directors especially entrusted to ensure compliance with recommendations for good governance?

Yes No

Notes:

- B.1.35 Describe any mechanisms for ensuring the independence of auditors, financial analysts, investment banks and rating agencies.

The audit committee ensures the independence of these parties. In any event, upon selection of these parties, their independence is taken into account. These parties are not related to and hold no interests in the company or in any subsidiaries thereof.

- B.1.36 Has the company changed its external auditor during the year? If so, identify both the outgoing and incoming auditor.

Yes No

Outgoing auditor	Incoming auditor

Were there any disagreements with the outgoing auditor? If so, explain.

Yes No

Details of the disagreements

- B.1.37 Does the audit firm perform work for the company and/or the group other than audit work? If so, indicate the fees received for such work and the percentage these fees represent of the total fees invoiced to the company and/or the group.

Yes

No

	Company	Group	Total
Fees for work other than audit (thousands of euros)	2.7	4.1	6.8
Fees for work other than audit as a % of total fees invoiced by the audit firm	3.67%	6.18%	4.86%

B.1.38 Does the auditors' report on the annual accounts for the previous year contain any reservations or qualifications? If so, describe the reasons given by the chairman of the audit committee for the content and scope of such reservation or qualifications.

Yes

No

Explanation

B.1.39 State the number of consecutive years that the current audit firm has audited the annual accounts of the company and/or group. Also, report the number of years the current firm has audited the annual accounts as a percentage of the total years that the annual accounts have been audited.

	Company	Group
Number of consecutive years	4	4

	Company	Group
Number of years audited by the current firm as a % of the number of years the annual accounts have been audited	12%	22%

B.1.40 List the interests held by the members of the board of directors in the share capital of entities whose statutory activities are identical, similar or complementary to those of the company and the group, as notified to the company. Indicate the positions held or duties performed by directors in these companies.

Name of director	Name of the company	% interest	Position or duties
Mr. Josep Domènech Giménez	Grupo Moda Estilmar, S.A.	75	-
Mr. Josep Domènech Giménez	Modaline, S.L.	70	-
Mr. Josep Domènech Giménez	Inversora en Bienes Patrimoniales, S.L.	98	Joint and several director
Mr. Josep Domènech Giménez	Investholding JD, S.L.	73	Managing director
Mr. Josep Domènech Giménez	Bolquet, S.L.	100	Joint and several director
Mr. Josep Domènech Giménez	J. Sabater Tayo, S.A.	50	-
Mr. Josep Domènech Giménez	Textprint, S.A.	25	-
Mr. Eduard Domènech Álvaro	Investholding JD, S.L.	0.01	Joint managing director
Mr. Sergi Domènech Álvaro	Investholding JD, S.L.	0.01	Joint managing director
Mr. Rafael Español Navarro	La Seda de Barcelona, S.A.	0.157	Chairman of the board of directors

B.1.41 Is there a procedure to provide directors with external advisors?

Yes

No

Details of the procedure
In order to aid external directors in their duties, these directors may request that the company contract legal, accounting, financial or other expert advisors. The advice given must relate to specific, important and complicated matters arising in the course of the duties of the directors.
The board of directors must approve the decision to contract such external advisors.

B.1.42 Is there a procedure for directors to receive necessary information to prepare for board of directors meetings sufficiently in advance? If so, describe this procedure:

Yes

No

Details of the procedure
As part of the ongoing and fluid communication between directors and between directors and the managing director, all parties are constantly informed of the state of the business. In addition, the necessary information for each board of directors' meeting is sent to directors electronically at least three days in advance of the meeting.

B.1.43 Has the company established rules to require directors to report and, if necessary, resign in those cases which damage the company's name or reputation?

Yes No

Description of rules
According to article 21 of the regulations governing the board of directors, directors are to resign when they have been prosecuted on criminal charges or when supervisory bodies have charged them with serious or very serious offences.

B.1.44 Has any member of the board of directors informed the company that he or she has been indicted or tried for any of the crimes stated in article 124 of the Spanish Companies Act?

Yes No

Name of the director	Criminal act	Notes

Has the board of directors analysed the case? If so, indicate the reasons for a decision to remove or to retain the director in question.

Yes No

Decision taken	Reasoning
Removal/retention	

B.2 Board of directors' committees

B.2.1 List the board of directors' committees and respective members:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Type

AUDIT COMMITTEE

Name	Position	Type
Mr. Carlos Franqués Ribera	Chairman	Independent director
Mr. Antonio Peñarroja Castell	Secretary	Nominee director (External)
Mr. Francesc Cunill	Member	Nominee director (External)
Mr. Eduardo Domènech Álvaro	Member	Executive director

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Type

NOMINATION COMMITTEE

Name	Position	Type

REMUNERATION COMMITTEE

Name	Position	Type

_____ COMMITTEE

Name	Position	Type

B.2.2 Is the audit committee entrusted with the following functions?

	Yes	No
Monitor the preparation and integrity of the financial information of the company and, where applicable, of the group, verifying compliance with obligatory standards, the correct scope of consolidation and the correct application of accounting criteria.	X	
Review internal controls and risk management systems on a regular basis to identify, manage and report on the main risks.	X	
Monitor the independence and efficiency of the internal audit department; propose the selection, appointment, re-appointment and removal of the head of the internal audit department; propose the budget for this department; receive regular information on the activities of the internal audit department; and ensure that senior officers take in account the consultations and recommendations made by the internal auditors.	X	
Establish and supervise a mechanism to enable employees to confidentially and, if necessary, anonymously report any potentially significant irregularities they detect in the course of their duties, especially in terms of accounting and financial matters.	X	
Make recommendations to the board for the selection, appointment, re-appointment and substitution of the external auditor and the terms and conditions of this engagement.	X	
Receive regulator information from the external auditor regarding the audit plan and the results thereof, and verify that senior officers act on the recommendations of the external auditor.	X	
Monitor the independence of the external auditor.	X	
In the case of groups, encourage the group auditor to take on the audits of all group companies.	X	

B.2.3 Describe the organisational and operational rules applicable and the responsibilities attributed to each committee.

The regulations governing the board of directors establish the following committees:

- Executive committee, with general decision-making responsibilities
- **Nomination and remuneration committee**, entrusted with informing, advising and making recommendations in matters regarding nominations and remunerations
- Audit and compliance committee

To date, the board of directors has not created any of the aforementioned committees except the audit committee, given that an executive committee and a **nomination and remuneration committee** are not necessary in view of the current size and characteristics of the board. The board of directors considers that it is perfectly able to adopt any decisions with the celerity and efficiency required by the company.

Consequently, the only committee existing at this time is the four-member audit committee, which has the following responsibilities:

- (i) Respond to any questions from shareholders regarding audit issues, through the chairman and/or secretary, at the general shareholder meetings.
- (ii) In accordance with article 204 of the Spanish Companies Act, propose an external auditor to the board of directors for approval by the shareholders at the general meeting.
- (iii) Oversee the internal audit department, in the event that such a department exists.
- (iv) Oversee the financial reporting process and the internal controls systems in place.
- (v) Coordinate with the external auditor in order to receive information on those matters which might compromise the independence of the external auditor and any other matters related to the audit of accounts, and receive information and communicate with the auditor as set out in legislation governing the audit of accounts and technical audit regulations.

B.2.4 Indicate the advisory, consultation and, where applicable, delegation duties of each committee:

Committee	Brief description

B.2.5 Indicate any regulations for board of directors' committees, where they are made available for consultation and any changes to these regulations during the year. Also indicate whether any yearly reports on the activities of each committee have been drawn up voluntarily.

Both the company by-laws and the regulations governing the board of directors contain the guidelines for the committees. No annual report has been prepared on the activities of the audit committee.

B.2.6 Does the composition of the executive committee reflect the composition of the board in terms of the different types of directors?

Yes

No

If not, describe the composition of the executive committee

C TRANSACTIONS WITH RELATED PARTIES

C.1 Is the board of directors responsible for approving, subject to a favourable report by the audit committee or other committee entrusted with such duties, the company's transactions with directors, significant shareholders or representatives in the board of directors, or with parties related thereto?

Yes

No

C.2 State any relevant transactions of funds or liabilities between the company/group entities and significant shareholders of the company:

Name of significant shareholder	Name	Nature of the operation	Type	Thousands of euros
Investholding, J.D., S.L.	Dogi International Fabrics, S.A.	Contractual	Operating lease contracts	120
Investholding, J.D., S.L.	Dogi International Fabrics, S.A.	Contractual	Rendering of services	20
Bolquet, S.L.	Dogi International Fabrics, S.A.	Contractual	Operating lease contracts	1,497
Inversora en Bienes Patrimoniales, S.L.	Dogi International Fabrics, S.A.	Contractual	Operating lease contracts	93
Bolquet	Dogi International Fabrics, S.A.	Contractual	Rendering of services	10
Bolquet	Dogi International Fabrics, S.A.	Contractual	Reception of services	31
Mr. Josep Domènech Giménez	Dogi International Fabrics, S.A.	Contractual	Remuneration in the form of life insurance and per-diem allowances for the managing director	34

C.3 State any relevant transactions of funds or liabilities between the company/group entities and company directors/executives:

Name of significant shareholder	Name of company of group entity	Nature of the operation	Type	Thousands of euros
Mr. Josep Domènech Giménez (through Grupo Moda Estilmar, S.A.)	Dogi International Fabrics, S.A.	Commercial	Sale of products	2,253
Mr. Josep Domènech Giménez (through Grupo Moda Estilmar, S.A.)	Dogi International Fabrics, S.A.	Commercial	Acquisition of goods	22
Mr. Josep Domènech Giménez (through Modaline S.L.)	Dogi International Fabrics, S.A.	Commercial	Sale of products	408
Mr. Josep Domènech Giménez (through Alyto S.A.)	Dogi International Fabrics, S.A.	Commercial	Purchase of energy through the cogeneration plant	1,101

C.4 State any relevant transactions between the company and other group companies that are not eliminated on consolidation and that do not form part of the ordinary business of the company:

Group company	Brief description of the transaction	Amount (thousands of euros)

C.5 Have the members of the board of directors been involved in any cases of conflict of interest during the year, as defined in article 127 ter of the Spanish Companies Act?

Yes No

Name of director	Description of the conflict of interest

C.6 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or the group and directors, executives or significant shareholders.

The company has clearly identified possible sources of conflict with related companies and, in these cases, as established in the Internal Code of Conduct, parties involved should act with sound judgement, loyalty to the Group and to the shareholders, and independently of own or other interests. Consequently, the own interests of such parties should not take precedence over those of the group and such parties should not give preference to the interest of certain investors over others. Parties should therefore avoid intervening in or influencing the decision-making process regarding matters which could affect individuals or entities with which there is a conflict of interest and accessing confidential information relating to the conflict.

According to the Internal Code of Conduct, the Internal Audit Department, under the supervision of the audit committee, is entrusted with overseeing, supervising and avoiding situations of conflict of interest arising from transactions with related companies.

C.7 Is more than one group company listed on a Spanish stock exchange?

Yes No

Name the group companies listed on a Spanish stock exchange:

Listed group companies

Have the respective areas of activity and possible business relationships between these companies and between the listed subsidiary and other group companies been clearly defined in public documents?

Yes No

Describe the possible business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies

Describe the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve possible conflicts of interest

D RISK MANAGEMENT SYSTEMS

D.1 Provide a general description of the risk management policies of the company and/or group, detailing and evaluating the risks covered by the system and how these systems are tailored to the specific nature of each risk exposure.

The risk management system is overseen by the Internal Audit Department, which acts under the supervision and direction of the audit committee. The risk management system is subject to ongoing review to adapt it to changes in the business. As a number of companies have been included in the consolidated group during recent years, and the business has suffered from the effects of an overall crisis in the European textile sector, supervision controls have become a fundamental priority for Group management, which has designed specific controls to supervise subsidiaries.

In addition to the Internal Audit Department, Dogi International Fabrics has a Corporate Management Control Department reporting to the Group's financial management team. This department ensures that the measures designed by the Group's executive team are carried out and, if not, adopts the necessary corrective measures. In this regard, annual budgets are updated each quarter to incorporate new forecasts for each plant. New investments must be in line with these budgets approved at the end of the year (except in the case of a clear economic/financial justification).

Among other functions, this department drafts special reports on possible new production projects in plants in order to clearly understand the profitability (projects must exceed a minimum profitability threshold in order to be accepted) and the expected payback.

The specific risks identified by the Company are as follows:

Contextual and business risk

Although there has been a slight economic recovery worldwide, the European textile sector continues in decline, due to the persistent salary difference between European and Asian countries. In addition, the elimination of import quotas for the vast majority of textile products from China and Vietnam has aggravated the situation, despite the considerable shift from Chinese imports to imports from other Asian countries.

In this context, and in line with the Group's overriding objective of once again securing profits, Group management continually reviews the different business areas. As a result of such reviews, the following measures have been adopted:

- Strengthen marketing areas (greater specific weight of the Dogi Penn brand and the recently incorporated EFA brand) and maintain adequate investments in R&D activities in order to create novel and unique products that precisely respond to market needs.
- Ongoing improvement in manufacturing and production processes enabling plants to improve efficiency in a highly competitive environment.
- Reach and exceed quality and service levels necessary to satisfy customers in an increasingly demanding market.
- Increase the production capacity in Asian plants (i.e., the Company's heavy investment in enlarging its plant in China), bearing in mind the growing offshoring of Western garment manufactures to these countries. A second example of these efforts is the new investment in Sri Lanka through a joint venture for the production of elastic fabrics to supply the main garment manufacturers in the Indian sub-continent.
- Restructure the Spanish plant, adapting the production capacity to the market reality, which in recent years has declined as a result of offshoring to countries with lower labour costs
- Lastly, the Company has placed special emphasis on managing risks deriving from the operations of Dogi (and subsidiaries) in developing countries, given that, despite the significant growth of these economies in recent years, the developing socio-political systems are often subject to strong tensions.

- Financial risks

As with any international industrial group, the Dogi Group's activities are exposed to various financial risks, including interest rate risk, exchange rate risk, and liquidity risks. The Group's overall risk management programme takes into account the uncertainty of financial markets and aims to minimise the adverse effects of such risks on the financial profitability of the Group. The Group uses derivatives to hedge some of the above-mentioned risks.

The financial risk management system is overseen by the Group's Corporate Finance Department and follows the policies approved by the board of directors. The basic principles defined by the Group in its risk management policies are as follows:

To comply with rules of good corporate governance.
Each business and corporate area defines:

The markets and products where it has sufficient knowledge and capacity to operate and ensure effective risk management.

Authorised operators.

For each market in which they operate, the various businesses and corporate areas establish the extent of the risk exposure they are prepared to accept in line with their strategy for that market.

Interest rate risk

Changes in the interest rate risk affect the fair value of those assets and liabilities which accrue interest at variable rates.

Interest rate risk management aims to create a balanced debt structure that minimises finance costs over a multi-year period while keeping income statement volatility low.

Depending on Group estimates and the objectives that underlie the debt structure, the Group may contract derivative instruments to hedge part of its interest rate risks.

Debt held by Group companies is mainly referenced to the Euribor and the Libor (US dollar).

Exchange rate risk

Exchange rate risks mainly relate to debt in foreign currency contracted by Group companies, as well as to commercial transactions in foreign currency (mainly the US Dollar and the pound sterling). Subsidiaries in Asia are exposed to exchange rate risk in that their operating accounts are expressed in multiple currencies: income is in US dollars while expenses usually include a variable percent in local currency (30%-40%).

In addition, net assets on net investments in foreign operations whose functional currency is not the euro are subject to exchange rate risks upon translation of the financial statements of these companies on consolidation.

In order to mitigate the exchange rate risk, the Group has contracted currency swaps and exchange rate insurance.

Liquidity risk

As part of the Group's liquidity policy, it contracts credit facilities and short-term investments to cover requirements for a period consistent with the state and expectations of debt and capital markets.

Transactions with related parties

Through the Internal Audit Department, the Group supervises transactions with companies in which the chairman of the board of directors and majority shareholder hold significant interest. Where necessary, these operations are reported to the audit committee and/or the CNMV. Although such transactions are always carried out on an arm's length basis, these relationships have been identified as a risk due to their nature. Consequently, the board of directors approved the Internal Code of Conduct to prevent conflicts of interest from arising and to increase transparency in such transactions.

Environmental risks

In accordance with legislation in each country in which Dogi International Fabrics, S.A. and its subsidiaries operate, all production processes and control systems have been adapted to ensure compliance with environmental policies. All these controls can be carried out by specialised Dogi personnel and in certain cases with the advice of external consultants specialised in environmental risks.

D.2 Have operating, technological, financial, legal, corporate image or tax risks arisen during the year with an effect on the company and/or group?

Yes No

If so, describe the circumstances giving rise to the risk and whether the control systems in place were sufficient to meet this risk.

Risk	Circumstances giving risk to the risk	Performance of control systems
Exchange rate risk	Depreciation of the US dollar compared to local Asian currencies	In 2007 the US dollar fell against the majority of Asian currencies (19% compared to the Philippine peso; 6.5% compared to the Chinese renminbi; and 15.5% compared to the Thailand baht). Given that income in these plants is in dollars (due to the strength of the export businesses), costs inevitably rose in comparison, as salaries, supplies, local administrations, rentals, etc. are in local currency.
Contextual and business risk	Drop in the demand for products in the European market and excess capacity	Change in the Group's global policy, published in June 2007, to include the restructuring of the Spanish plant (reductions of 30% and over 35% in production capacity and personnel, respectively) and the increase in production capacity in lower-cost Asian plants Regroup products in three global brands with the respective business units: Dogi, Penn and EFA brands.

D.3 Are any committees or governing bodies entrusted with establishing and supervising these control mechanisms?

Yes No

If so, describe the duties of these bodies.

Committee or governing body	Description of the duties
Audit committee	See section B.2.3 regarding supervision by the audit committee of the Company's internal control systems.

D. 4 Identify and describe the compliance processes for the different legislation affecting the company and/or group.

Dogi International Fabrics currently operates in 11 countries and is therefore subject to a number of different legislations.

The Company is fully aware that legislation differs in each country and therefore each Dogi International Fabrics, S.A. subsidiary contracts prestigious local legal advisors to ensure that the activities carried out by the companies are in line with prevailing legislation.

The corporate office in El Masnou (Barcelona) coordinates with the different plant supervisors and the corresponding internal legal departments or external advisors, under the direction of the secretary of the board of directors.

E GENERAL SHAREHOLDERS' MEETING

E.1 Is the minimum quorum set out in the Spanish Companies Act different from that required by the company for the general shareholders' meeting?

Yes No

	% quorum different from that established in article. 102 of the Spanish Companies Act (general cases)	% quorum different from that established in article 103 of the Spanish Companies Act (specific cases)
Quorum required on fist call		
Quorum required on second call		

Comparison of differences

E.2 Does the procedure used by the company for adopting agreements differ from that set out in the Spanish Companies Act?

Yes No

If so, describe these differences.

	Qualified majority other than that established in article 103.2 of the	Other cases requiring a qualified majority

	Spanish Companies Act for the cases set out in article 103.1	
% established by the company for adoption of agreement		
Describe the differences		

- E.3 List the rights of shareholders with respect to the general shareholders' meetings other than those established in the Spanish Companies Act.

Shareholders have no rights in respect of the general shareholders' meeting other than those established in the Spanish Companies Act.

- E.4 Describe any measures adopted to encourage attendance of shareholders at the general meetings.

The call to the general shareholders' meetings is published with sufficient notice as required by law, as well as on the Company's web page. The Company's Investors' Office is available to handle any concerns expressed by shareholders.

- E.5 Do the duties of the chairman of the general shareholders' meeting fall on the chairman of the board of directors? If so, state the measures adopted to guarantee the independence and efficiency of the general shareholders' meeting:

Yes No

Description of measures
The chairman of the board of directors also chairs each of the general shareholders' meetings, as established in the Spanish Companies Act. However, the Company has approved general shareholders' meeting regulations that safeguard the independence and efficiency of the meeting.
In this regard, article 17 of the general shareholders' meeting regulations establishes how the meeting is to progress and safeguards the speaking and voting rights of shareholders. The chairman of the meeting is only empowered to moderate and keep order.

- E.6 Describe any modifications during the year to the regulations for the general shareholders meeting.

No modifications were made during the year.

- E.7 Indicate the attendance figures for the general shareholders' meetings held during this year:

Date of general shareholders' meeting	Attendance				
	% attending in person	% by proxy	% absentee ballot		Total
			Electronic vote	Other	
29-01-2007	31.93%	3.03%			34.97%
24-05-2007	29.22%	2.73%			31.96%

E.8 Briefly describe the resolutions adopted at the general shareholders' meetings held during the year and the percentage by which each resolution was passed.

1. Extraordinary general shareholders' meeting - 29 January 2007

The following resolutions were passed with the majority vote of shareholders:

- b) To rectify and ratify the agreements adopted at the general shareholders' meeting held on 15 December 2006 regarding the authorisation given to the board of directors to increase the Company's share capital one or more times up to 50% of the share capital existing at the time of authorisation, through monetary contributions, with or without a share premium.
- c) Authorise members of the board of directors to record in a public document the resolutions adopted at the general shareholders' meeting and to execute the aforementioned agreements.

2. Ordinary general shareholders' meeting – 24 May 2007

The following resolutions were passed with the majority vote of shareholders:

- a) To approve the individual and consolidated financial statements and the related directors' reports for the year ended 31 December 2007.
- b) Approve the individual and consolidated profit/(loss) for 2007 and the application thereof.
- c) Approve the management of the board of directors during 2007.
- d) Re-elect and confirm the positions of the following directors: Mr. Josep Domènech Giménez, Mr. Francesc Cunill Izquierdo, Mr. Antonio A. Peñarroja Castell, Mr. Rafael Español Navarro.
- e) Modify article 23 of the by-laws, reducing the maximum number of members of the board of directors to ten.
- f) Modify article 27 of the by-laws, attributing a casting vote to the chairman of the board of directors in order to avoid deadlock within the board.
- g) Redrafting of the by-laws in a single document.

E.9 Are there any statutory restrictions establishing a minimum number of shares required to attend the general shareholders' meeting?

Yes No

Number of shares necessary to attend the general shareholders' meeting	1 share
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E.10 Describe and give the reasons behind the company's proxy voting policies for the general shareholders' meeting.

All shareholders entitled to attend general meetings may be represented thereat by another shareholder, using the proxy formula established by the Company for each meeting, which is stated on the attendance card.

Only one proxy shall be admitted for each absent shareholder.

Representation granted on anyone unable to act as representative in accordance with the law shall not be valid or enforceable.

Representation must be granted in writing, or by remote means of communication that comply with in article 105 of the Spanish Companies Act and other legislation applicable to absentee voting, and must be specifically granted for each general meeting, providing that the Company has established procedures for sufficiently verifying the identity of the absentee shareholder and the proxy.

Representation shall always be revocable, and shall be deemed revoked when the represented shareholder attends the general meeting in person.

E.11 Is the company aware of any institutional investor policies regarding whether or not to participate in company decisions?

Yes No

Describe the policy

E.12 State the address of the corporate website and how the corporate governance contents can be accessed on the site.

Dogi International Fabrics' website (<http://www.dogi.com>) contains legal information for shareholders, as required by current legislation, as well as additional information on the Company and the Group.

F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the degree of compliance by the company with the recommendations contained in the Unified Good Governance Code.

In the event certain recommendations are not complied with, indicate the alternate recommendations, standards, practices or criteria applied by the company.

1. The bylaws of listed companies should not place an upper limit on the number of votes that can be cast by a single shareholder or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9 , B.1.22 , B.1.23 and E.1 , E.2.

Compliance Explain

2. When a parent and subsidiary company are separately listed, both should provide detailed disclosure on:

a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Compliance Partial compliance Explain Not applicable
X

3. **Even if not expressly required under company law, any decision involving a fundamental corporate change should be submitted to the shareholders at their general meeting for approval or ratification. In particular:**
- a) **The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the originating firm, even though the latter retains full control of the former;**
 - b) **Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;**
 - c) **Operations that effectively add up to the company's liquidation.**

Compliance Partial compliance Explain

4. **Detailed proposals of the resolutions to be adopted at the general shareholders' meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the meeting notice.**

Compliance Explain

Upon issuing the call to the general shareholders' meeting, the Company makes public the detailed proposed resolutions to be discussed during the meeting, including those relating to the appointment of directors, except for the point set out in recommendation 28 of the Unified Good Governance Code.

5. **Separate votes should be taken at the general shareholders' meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:**
- a) **The appointment or ratification of directors, with separate voting on each candidate;**
 - b) **Amendments to the by-laws, with votes taken on all articles or groups of articles that are materially different.**

See section: E.8

Compliance Partial compliance Explain

6. **Companies should allow split votes so financial intermediaries who are shareholders of record but acting on behalf of different clients can issue their votes according to instructions.**

See section: E.4

Compliance Explain

7. **The board of directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest, and, as such, strive to maximise its value over time.**

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Compliance Partial compliance Explain

8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board should reserve the right to approve:

a) The company's general policies and strategies, and, in particular:

- i) The strategic or business plan, management targets and annual budgets;**
- ii) Investment and financing policy;**
- iii) Design of the structure of the corporate group;**
- iv) Corporate governance policy;**
- v) Corporate social responsibility policy;**
- vi) Remuneration and evaluation of senior officers;**
- vii) Risk control and management, and the periodic monitoring of internal information and control systems;**
- viii) Dividend policy, as well as the policies and limits applying to treasury shares.**

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- i) On the proposal of the company's chief executive, the appointment and removal of senior officers and their compensation clauses;**

See section: B.1.14.

- ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract condition;**

See section: B.1.14

- iii) The financial information listed companies must periodically disclose;**
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics; unless their approval corresponds to shareholders at the general meeting;**

- v) **The creation or acquisition of special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**
- c) **Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto (“related-party transactions”).**

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

- 1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;**
- 2. They go through at market rates, generally set by the person supplying the goods or services;**
- 3. Their amount is no more than 1% of the company’s annual revenues.**

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the audit committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the executive committee in urgent cases and later ratified by the board.

See sections: C.1 and C.6

Compliance Partial compliance Explain

- 9. In the interests of maximum effectiveness and participation, the board of directors should comprise no fewer than five and no more than fifteen members.**

See section: B.1.1

Compliance Explain

- 10. External directors, nominee and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

See sections: A.2 , A.3, B.1.3 and B.1.14

Compliance Partial compliance Explain

- 11. In the event that an external director can be deemed neither nominee nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior managers, or its shareholders.**

See section: B.1.3

Compliance Explain Not applicable

- 12. Among external directors, the relation between nominee members and independents should match the proportion between the capital represented on the board by nominee directors and the remainder of the company's capital.**

This proportional criterion can be relaxed so the weight of nominee directors is greater than would strictly correspond to the total percentage of capital they represent:

- 1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.**
- 2. In companies with a plurality of shareholders represented on the board but not otherwise related.**

See sections: B.1.3 , A.2 and A.3

Compliance Explain X

Currently, 30% of the members of the board of directors are nominee directors. The Company intends to cover future board vacancies with independent directors.

- 13. The number of independent directors should represent at least one-third of all board members.**

See section: B.1.3

Compliance Explain X

Until the entry into force of the present Unified Good Governance Code, there were three independent directors on the Company's board (one-third of the total number of directors). At the general shareholders' meeting held on 24 May 2007, Mr. Rafael Español Navarro was renewed on the board, although this renewal had not been proposed by the nomination and remuneration committee, as this committee had not yet been created at that time. Consequently, Mr. Español's status changed from an independent director to an external director .

- 14. The nature of each director should be explained to the shareholders at the general meeting, which shall make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the nomination committee. The Annual Corporate Governance Report should also disclose the reasons for the appointment of nominee directors at the urging of shareholders controlling less than 5% of capital, and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a nominee directorship.**

See sections: B.1.3 and B.1.4

Compliance Partial compliance X Explain

The nature of each director is not explained at the general shareholders' meeting upon appointment or ratification.

The Annual Corporate Governance Report is verified by the audit committee and not by the nomination committee as recommended, given that Dogi has not yet created such a committee.

15. When women directors are few or non-existent, the board should state the reasons for this situation and the measures taken to correct it. In particular, the nomination committee should take steps to ensure that:

- a) **The process of filling board vacancies has no implicit bias against women candidates;**
- b) **The company makes a conscious effort to include women with the target profile among the candidates for board places.**

See sections: B.1.2, B.1.27 and B.2.3

Compliance Partial compliance Explain Not applicable

The board of directors is currently studying the possibility of incorporating female members. In any event, the board ensures that there is no implicit bias against female candidates in the selection of directors and includes female candidates with the target professional profile in the selection process.

Nevertheless, these duties have not been entrusted to the nomination and remuneration committee, as such a committee has not been established to date.

16. The chairman, as the person responsible for the proper operation of the board of directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See section: B.1 42

Compliance Partial compliance Explain

17. When a company's chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the chairman.

See section: B.1.21

Compliance Partial compliance Explain Not applicable

18. The Secretary shall take care to ensure that the board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- b) Comply with the company by-laws and the regulations governing the general shareholders' meeting, the board of directors and others;
- c) Are informed of the good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the secretary, his or her appointment and removal should be proposed by the nomination committee and approved by a full board meeting. The relevant appointment and removal procedures should be spelled out in the board's regulations.

See section: B.1.34

Compliance Partial compliance Explain

19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

Compliance Partial compliance Explain

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.1.30

Compliance Partial compliance Explain

21. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Compliance Partial compliance Explain Not applicable
X

22. The board should evaluate the following points on a yearly basis:

- a) The quality and efficiency of the board's operation;**
- b) How well the chairman and chief executive have carried out their duties, on the basis of a report by the nomination committee;**
- c) The performance of its committees on the basis of the reports furnished by the same.**

See section: B.1.19

Compliance Partial compliance X Explain

The board of directors evaluates its operation and that of the committees at least once a year. However, this review is not based on a report by the nomination and remuneration committee, as such as committee has not been established to date.

23. All directors shall be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the by-laws or board regulations indicate otherwise, such requests should be addressed to the chairman or secretary.

See section: B.1.42

Compliance X Explain

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: B.1.41

Compliance X Explain

25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Compliance X Partial compliance Explain

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively and, as such:

- a) Directors should apprise the nomination committee of any other professional obligations, in case they might detract from the necessary dedication;**
- b) Companies should lay down rules about the number of directorships their board members can hold.**

See sections: B.1.8, B.1.9 and B.1.17

Compliance Partial compliance Explain X

Dogi has not yet created a nomination and remuneration committee and there is no limit to the number of boards on which directors may serve.

27. The proposal for the appointment or renewal of directors which the board submits to the shareholders at the general meeting, as well as the provisional appointments made within the board itself, should be approved by the board:

- a) On the proposal of the nomination committee, in the case of independent directors.**
- b) Subject to a report from the nomination committee in all other cases.**

See section: B.1.2

Compliance Partial compliance Explain x

Dogi has not yet created a nomination and remuneration committee

28. Companies should post the following information on directors on their websites and keep them permanently updated:

- a) **Professional experience and background;**
- b) **Directorships held in other companies, listed or otherwise;**
- c) **An indication of the director's classification as executive, nominee or independent; in the case of nominee directors, stating the shareholder they represent or have links with.**
- d) **The date of their first and subsequent appointments as a company director, and;**
- e) **Shares held in the company and any options on the same.**

Compliance Partial compliance Explain

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: B.1.2

Compliance Explain

30. Nominee directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, the latter's number should be reduced accordingly.

See sections: A.2 , A.3 and B.1.2

Compliance Partial compliance Explain

31. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated in the by-laws, except where just cause is found by the board, based on a proposal from the nomination committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Compliance Explain

The board of directors complies with this recommendation except with respect to the prior report of the nomination and remuneration committee, as Dogi has not yet established such a committee.

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted for any of the crimes stated in article 124 of the Spanish Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Compliance Partial compliance Explain

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The term of this Recommendation should also apply to the secretary of the board; director or otherwise.

Compliance Partial compliance Explain Not applicable

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Compliance Partial compliance Explain Not applicable

35. The company's remuneration policy, as approved by its board of directors, should specify at least the following points:

- a) The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to;
- b) Variable components, in particular:
 - i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.

- (ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;
 - iii) The main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
 - (iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.
- d) The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:
- i) Duration.
 - ii) Notice periods.
 - iii) Any other clauses covering hiring bonuses, as well as indemnities or ‘golden parachutes’ in the event of early termination of the contractual relation between the company and executive director.

See section: B.1.15

Compliance Partial compliance Explain

- 36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company’s performance or membership in pension schemes shall be confined to executive directors.**

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3 , B.1.3

Compliance Explain

- 37. External directors’ remuneration should sufficiently compensate them for the dedication, abilities and responsibility that the post entails, but should not be so high as to compromise their independence.**

Compliance Explain

- 38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor’s report.**

Compliance Explain Not applicable

- 39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company’s sector, atypical or exceptional transactions or circumstances of this kind.**

Compliance Explain Not applicable

- 40. The board should submit a report on the directors' remuneration policy to the advisory vote at the general shareholders' meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.**

The report should focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 34, except those potentially entailing the disclosure of commercially sensitive information. It should also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the remuneration committee in designing the policy should be reported to the shareholders at the general meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Compliance Partial compliance Explain

The board of directors does not report on the role carried out by the nomination and remuneration committee given that such a committee has not yet been created.

- 41. The notes to the financial statements should list the individual directors' remunerations in the year, including:**

a) A breakdown of the compensation obtained by each company director, to include where appropriate:

- i) Participation and attendance fees and other fixed director payments;**
- ii) Additional compensation for acting as chairman or member of a board committee;**
- iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;**
- iv) Contributions on the director's behalf to defined-contribution pension plans or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;**
- v) Any severance packages agreed or paid;**
- vi) Any compensation they receive as directors of other companies in the group;**
- vii) The remuneration executive directors receive in respect of their senior management posts;**
- viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be treated as a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.**

b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:

- i) **Number of shares or options awarded in the year and the terms set for their exercise;**
 - ii) **Number of options exercised in the year, specifying the number of shares involved and the exercise price;**
 - iii) **Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;**
 - iv) **Any change in the year in the exercise terms of previously awarded options.**
- c) **Information on the relation in the year between the remuneration obtained by executive directors and the company's profits or some other measure of enterprise results.**

Compliance Partial compliance Explain X

A global/total breakdown of remunerations does not reduce the clarity and transparency of the information provided in the notes to the financial statements.

42. **When the company has an executive committee, the breakdown of its members by director category should be similar to that of the board itself. The secretary of the board should also act as secretary to the executive committee.**

See sections: B.2.1 and B.2.6

Compliance Partial compliance Explain Not applicable x

43. **The board shall be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.**

Compliance Explain Not applicable X

44. **In addition to the audit committee mandatory under the Securities Market Law, the board of directors should form a committee, or two separate committees, of Nomination and Remuneration.**

The rules governing the make-up and operation of the audit committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations and will include the following:

- a) **The board of directors should appoint the members of these committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;**
- b) **These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the committees' invitation.**
- c) **Committees should be chaired by an independent director.**
- d) **They may engage external advisors when they feel this is necessary for the discharge of their duties.**

e) **Meeting proceedings should be minuted and a copy sent to all board members.**

See sections: B.2.1 and B.2.3

Compliance Partial compliance Explain X

The board of directors has not yet created a nomination and remuneration committee, given that such a committee is not yet required based on the size and characteristics of the operations of the board. The board of directors considers that it is perfectly able to adopt any decisions with the celerity and efficiency required by the company.

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the audit committee, the nomination committee or, as the case may be, separate Compliance or Corporate Governance committees.

Compliance X Explain

46. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters.

Compliance X Explain

47. Listed companies should have an internal audit function, under the supervision of the audit committee, to ensure the proper operation of internal reporting and control systems.

Compliance X Explain

48. The head of internal audit should present an annual work programme to the audit committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

Compliance X Partial compliance Explain

49. Control and risk management policy should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;**
- b) The determination of the risk level the company sees as acceptable;**
- c) Measures in place to mitigate the impact of risk events should they occur;**
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

See section: D

Compliance Partial compliance Explain

50. The audit committee's role should be:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provision, the accuracy of the scope of consolidation, and the correct application of accounting principles.**
- b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.**
- c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations set out in its reports.**
- d) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.**

2. With respect to the external auditor:

- a) Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.**
- b) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.**
- c) Monitor the independence of the external auditor, to which end:
 - i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.****

- ii) **The committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor’s business and, in general, other requirements designed to safeguard auditors’ independence;**
- iii) **The committee should investigate the issues giving rise to the resignation of any external auditor.**
- d) **In the case of groups, the committee should urge the group auditor to take on the auditing of all component companies.**

See sections: B.1.35, B.2.2, B.2.3 and D. 3

Compliance Partial compliance Explain

51. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of any senior officer.

Compliance Explain

52. The audit committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

- a) **The financial information that listed companies must periodically disclose. The committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.**
- b) **The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**
- c) **Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.**

See sections: B.2.2 and B.2.3

Compliance Partial compliance Explain

53. The board of directors should seek to present the annual accounts at the general shareholders’ meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Compliance Partial compliance Explain

54. The majority of nomination committee members – or nomination and remuneration committee members as the case may be – should be independent directors.

See section: B.2.1

Compliance Explain Not applicable

55. The nomination committee should have the following functions in addition to those stated in earlier recommendations:

- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.
- c) Report on the senior officers appointments and removals which the chief executive proposes to the board.
- d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Compliance Partial compliance Explain Not applicable X

56. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the nomination committee for its consideration.

Compliance Partial compliance Explain Not applicable X

57. The remuneration committee should have the following functions in addition to those stated in earlier recommendations:

- a) Make proposals to the board of directors regarding:
 - i) The remuneration policy for directors and senior officers;
 - ii) The individual remuneration and other contractual conditions of executive directors;
 - iii) The standard conditions for senior officer employment contracts.
- b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14, B.2.3

Compliance Partial compliance Explain Not applicable X

58. The remuneration committee should consult with the chairman or chief executive, especially on matters relating to executive directors and senior officers.

Compliance Explain Not applicable X

G OTHER INFORMATION

Please provide detailed information on any principal or relevant aspect regarding the corporate governance practices applied by the company which were not addressed in the present report.

This could include any information, clarification or details related with prior sections of this report.

Specifically, indicate whether the company is subject to corporate governance legislation of any country other than Spain and, if so, include the compulsory information to be provided when this is different from that required for this report.

Binding definition of "independent director:"

Do any of the independent directors have or have they had any relationship with the company, significant shareholders or executives, which had they been significant or important, would have meant the director could not be considered independent in accordance with the definition contained in section 5 of the Unified Good Governance Code?

Yes No

Director's name	Type of relationship	Explanation

This annual corporate governance report was approved by the board of directors on 21 February 2008.

Did any director(s) vote against approval of the report or abstain from the vote?

Yes No

Director voting against approval of the report or abstaining from the vote	Reason (against, abstaining, not present)	Explain the reasons