

SOCIEDAD GENERAL DE AGUAS DE BARCELONA, S.A.

REGULATIONS OF THE BOARD OF DIRECTORS

Chapter I. PRELIMINARY PROVISIONS

Section 1. Purpose

1. The purpose of these Regulations is to determine the performance principles of the Board of Directors of SOCIEDAD GENERAL DE AGUAS DE BARCELONA, S.A., the basic rules of its organization and functioning and the rules of conduct of its members.
2. The rules of conduct for the Directors set forth in these Regulations shall be applicable to the top managers of the Company, to the extent compatible with their specific nature. For this purpose, General Directors shall be considered top managers.

Section 2. Interpretation

These Regulations shall be construed in accordance with the applicable legal rules or the rules of the Articles of Association.

Section 3. Diffusion

1. The directors and the top managers have the duty to know, comply with and enforce these Regulations. For such purpose, the Secretary of the Board shall provide each of them with a copy hereof.
2. The Board of Directors shall adopt the appropriate measures so as to assure that the Regulations are available to stockholders and investors in general.

Chapter II MISSION OF THE BOARD

Section 4.

1. The performance by the Board of Directors on the behalf of its stockholders and in compliance with its legal functions and its functions arising from the Articles of Association and from these Regulations shall specially respect the requirements imposed by Law, complying in good faith with implied and expressed agreements entered into with workers, suppliers, financiers and customers, and in general abide by those ethical duties which reasonably impose a responsible operation of business.
2. **It is the responsibility of the Board to approve the strategy of the Company, the organization for its implementation, and to supervise and control that the Management fulfils the objectives established and respects the object and corporate interest of the Company. To this end the Board has the powers to approve the following, without prejudice to the effects that the delegations and powers granted have in relation to third parties:**
 - a) **The Company's general policies and strategies and, in particular:**

- 1) The strategic or business Plan, and the annual management objectives and budgets.
- 2) The investment and financing policy.
- 3) The definition of the structure of the group of companies.
- 4) The corporate governance policy.
- 5) The corporate social responsibility policy.
- 6) The remuneration and assessment of the performance of top managers policy.
- 7) The risk control and management policy, and the periodic monitoring of the internal information and control systems.
- 8) The policy for dividends, and for treasury stock and, especially, its limits.

b) The following decisions:

- 1) At the proposal of the Company's top executive, the appointment and possible dismissal of the top managers, in addition to their indemnity clauses.
- 2) The remuneration of the Directors, in accordance with the Articles of Association, and, for executives, the additional remuneration for their executive duties and other conditions that their contracts must respect.
- 3) The financial information that, due to its condition as a listed company, the company must publish periodically.
- 4) The investments or operations of all kinds which, due to their high amount or special characteristics, are of a strategic character, unless their approval is the responsibility of the General Meeting.
- 5) The creation or acquisition of interests in organizations of a special nature or with their domicile in countries or territories considered as tax havens, and any other transactions or operations of a similar nature which, in view of their complexity, could reduce the transparency of the Group.

c) The operations that the Company carries out with directors, with significant shareholders or those represented on the Board, or with someone linked to them, unless these operations fulfil the following three conditions:

- 1 That they are carried out by virtue of contracts whose conditions are standardized and are applied en masse to many clients.
- 2 That they are carried out at prices or rates established with a general character.
- 3 That their amount does not exceed 1% of the Group's consolidated annual revenues.

Notwithstanding the above, the powers mentioned under letters b) and c) can be adopted

for reasons of urgency by the Executive Commission under the protection of the delegation granted, having to be subjected to subsequent ratification.

Chapter III. COMPOSITION OF THE BOARD

Section 5. Qualitative Composition

1. The Board of Directors, in exercising its powers of proposal to the General Meeting and co-optation to fill vacancies, shall try to ensure that the external or non-executive directors represent a large majority over the executive directors **and that the latter are the minimum necessary** in the composition of the body.

For this purpose, the Chairman, if he/ she fulfils executive functions, the Delegate Directors and those who perform management functions in the Company, **or in others which depend on it**, will be considered executives.

2. Taking into account the significant concentration of stocks, the external directors will be persons related to the main stockholders and persons related to entities that, although having a minority ownership interest in a stockholder, their special position in the market and their relations make it advisable in the Board or the Meeting's criteria to be represented on the Board.
3. In case the stockholders with significant ownership interests their total ownership interest will be reduced below 55% of the capital, independent directors will be allowed taking into account the Company's ownership structure, the significant stock ownership interest's importance in absolute and comparative terms, as well as the degree of continuance, commitment and strategic relation of the owners of stated significant ownership interests with the Company.

Section 6. Quantitative Composition

1. The Board of Directors shall be composed of the number of directors determined by the General Meeting within the limitations set forth in the Articles of Association.
2. The Board shall propose to the General Meeting the number that, pursuant to the changing situation of the Company, is more appropriate to assure due representation and efficient functioning of the body.

Chapter IV. STRUCTURE OF THE BOARD OF DIRECTORS

Section 7. Chairman of the Board

1. The Chairman of the Board of Directors shall be elected from among its members. The Chairman shall have the powers set forth in the Articles of Association and those conferred by the Board in each case.
2. The Chairman shall have the general power to call a meeting of the Board of Directors, to set the agenda of the meeting and to lead the debates.

Section 8. Vice-Chairman

The Board may appoint one or more Vice-Chairmen, who shall stand in for the Chairman when he/ she cannot fulfil his/ her duties due to any reason whatsoever.

Section 9. Secretary of the Board

1. The Secretary of the Board of Directors need not be a member of the Board. When he/ she simultaneously holds the position of legal advisor, an attorney shall be appointed.
2. The Secretary shall assist the Chairman in his/ her duties and provide for the good functioning of the Board, especially by giving the required advice and information to the directors, duly showing the development of the meetings in the minute books and attesting the resolutions adopted by the bodies.
3. The Secretary, or the legal advisor in the case of no such the Secretary, shall in all cases make sure that the formal and material legality of the minutes of the Board are observed.
4. **The Secretary shall be appointed and, if appropriate, dismissed by the Board following a report, in both cases, from the Appointment and Remuneration Commission.**

Section 10. Under-secretary of the Board

1. The Board of Directors may appoint an Under-secretary, who need not be a Member of the Board, to assist the Secretary of the Board of Directors or to stand in for the Secretary during his/ her absence in the position.
2. Unless otherwise provided by the Board of Directors, the Under-secretary may attend the meetings of the Board of Directors to assist the Secretary in drawing up the minutes.

Section 11. Executive Bodies of the Board of Directors

1. Notwithstanding the delegations of power individually made to the Chairman or any other Director (Delegate Directors) and the power that he/ she has to set up delegate Commissions for specific activities, the Board of Directors may create an Executive Commission, with general decision powers **but with the limitations for internal purposes resulting from Section 4**, and an Appointment and Remuneration Commission, only with information, advice and proposal powers for the subjects determined by the following sections. The Board of Directors shall create an Audit and Control Commission having the powers set forth in these Regulations.
2. The Appointment and Remuneration Commission shall evaluate the profile of the most suitable persons to participate in the different Commissions **in accordance with their knowledge, skills and experience** and send the corresponding proposals to the Board. In any case, it shall take into account the suggestions made by the Chairman, if he/ she has an executive capacity, or, otherwise, those made by the Delegate Director.
3. Except for the provisions of the Articles of Association and these Regulations, the Commissions shall regulate their own functioning, ~~appoint a Chairman from among their members, prior to which they shall meet, and they shall also appoint a Secretary, who need not be a member of the Commission. If nobody is appointed, the position shall be held by the Secretary of the Board.~~ The functioning rules set forth in these Regulations in connection with the Board shall be applied provided they are compatible with the corresponding Commission's nature and function, if there are no special provisions.

Section 12. Executive Commission

1. The Board may appoint an Executive Commission which shall be composed of the number of Directors determined by the Board of Directors in each case, and the Chairman and the Delegate Director, if any, shall be part of it. ~~If there were independent Directors pursuant to section 5.3, their presence in the Executive Commission will abide by the criteria expressed in referred section 5.3~~ **The structure of**

participation by the different categories of director will be similar to that of the Board itself.

2. If an Executive Commission were appointed, its powers will be those delegated by the Board in each case within the limitations of the Law and the Articles of Association.
3. In the event an Executive Commission being appointed, it shall inform the Board about the main issues dealt with and the decisions made concerning these in their meetings.
4. **The Chairman of the Board shall be Chairman of the Executive Committee and the Secretary shall also be the Secretary of the Board.**

Section 13. Audit and Control Commission

1. The Audit and Control Commission shall consist of the number of external directors determined by the Board of Directors, which shall be between a minimum of three and a maximum of five ~~and, in the case where there were independent Directors pursuant to Section 5.3, its composition shall reasonably reflect the existing relation in the Board between the *dominical*³ directors and the independent directors.~~
2. Notwithstanding other tasks assigned by the Board, the Audit and Control Commission shall have the following basic responsibilities:
 - a) To know the processes of financial information and internal control **and risk management** processes of the company.
 - b) To propose the appointment of the auditor, the hiring conditions, the scope of the professional mandate and, if appropriate, the revocation or non renewal.
 - c) To inform the General Meeting of the issues raised by stockholders therein as regards matters of its responsibility.
 - d) To check the corporate accounts **and the financial information that must be made public periodically**, to supervise the fulfilment of the legal requirements and the correct application of the generally accepted accounting principles, and to inform the proposals of modification of accounting principles and criteria suggested by the management.
 - e) To be a communication channel between the Board of Directors and the auditors, to evaluate the results of each audit and the responses of the management team to its recommendations, and to mediate in case of disagreement between the auditor and the Board of Directors as regards the principles and criteria applicable in the preparation of the financial statements, **and to examine the circumstances which, if appropriate, have caused the resignation of the auditor.**
 - f) To supervise internal audit services, checking their adaptation and integrity, and **propose the selection**, the appointment and replacement of their managers; **to propose the budget for this service and to verify that the top management takes into account the conclusions and recommendations of its reports.**
 - g) To supervise the fulfilment of the audit contract, making sure that the opinion on the annual accounts and the main contents of the audit report are clearly and accurately written.
 - h) To be related to the external auditors in order to receive information on those issues which might endanger their independence and any other issues related to the account audit development process, as well as other communications established by law as regards account audit and by the audit technical standards.

- i) **To supervise the fulfilment of the Conduct Internal Regulations and of the corporate governance rules.**
 - j) **To inform the Board about the creation or acquisition of interests in organizations of a special nature or with their domicile in countries or territories considered as tax havens, and any other transactions or operations of a similar nature which, in view of their complexity, could reduce the transparency of the Group.**
 - k) To inform about the transactions which imply or may imply conflicts of interest, and, in general, about the issues stated in Chapter IX of these Regulations, **especially about related operations.**
 - i) To consider the suggestions made by the Chairman of the Board of Directors, the members of the Board, the directors or the stockholders of the Company **and to establish and supervise a mechanism which allows the employees of the Group to communicate in a confidential and, if considered appropriate, anonymous manner the irregularities of potential, especially financial and accounting, importance, that they observe at the heart of the company.**
3. It shall be called by the Chairman of the Commission, either on his own initiative or at the request of the Chairman of the Board of Directors or two (2) members of the Commission itself. Notice of meeting shall be served by letter, telegram, fax or any other means that constitute proof of receipt.

Resolutions may also be adopted without a meeting and in writing, pursuant to the provisions of the Mercantile Register Regulations for the Board of Directors.

4. The Commission shall appoint from among its members a Chairman who shall be replaced every four years and who can be re-elected after one year has elapsed since he/ she left office.

Likewise, the Commission shall appoint a Secretary and it may appoint an Under-secretary, both of whom need not be members of this Commission. If nobody is appointed, the position shall be held by the Secretary of the Board.

Minutes of the resolutions adopted in each session shall be kept, and the Board shall be informed about them, **sending or delivering a copy of the minutes to all the members of the Board.**

5. The Audit and Control Commission shall be validly held when the majority of its members attend the meeting, in person or are represented. Resolutions shall be adopted by the majority vote of the members attending either in person or represented.
6. Any required member of the Company's management or personnel will be obliged to attend the meetings of the Commission and to collaborate with it and provide it with the information he/ she may have. The Commission may also require that the Company's auditors attend its meetings.
7. For the best fulfilment of its functions, the Audit and Control Commission will be able to receive the advice of external professionals, for which the provisions set forth in Section 20 of these Regulations will be applied.

(Note: *: Director representing a major stockholder)

Section 14. Appointment and Remuneration Commission

1. The Appointment and Remuneration Commission shall be composed of the number of external directors determined by the Board of Directors ~~and, in the case where there were independent Directors pursuant to section 5.3, its composition shall reasonably reflect the relation existing on the Board between *dominical*^{*} directors and independent directors~~ **with a minimum of 3.**

2. Notwithstanding other duties that may be assigned by the Board, the Appointment and Remuneration Commission shall have the following basic liabilities:
 - a) to formulate and revise the criteria to be followed for the composition of the Board of Directors and the selection of candidates, **and to assess the precise time and dedication for them to perform their tasks;**
 - b) to submit to the Board the proposals concerning the appointment of **independent** directors so that the Board can directly appoint them (co-optation) or submit these proposals to the decision of the Meeting **and to report on the appointments of other types of director;**
 - c) to propose to the Board of Directors the members that should be part of each Commission;
 - d) to propose to the Board of Directors **(1) the system and amount of annual remunerations for the directors and top managers; (2) the individual remuneration of the executive directors and the other conditions of their contracts; (3) the basic conditions of the contracts of the top managers;**
 - e) to periodically check the remuneration programmes, considering their adaptation and performance;
 - f) **to inform about the appointments and dismissals of top managers that the top executive proposes to the Board.**
 - g) **to inform the Board about matters of different kinds.**
 - h) to consider the suggestions made by the Chairman, the members of the Board, the directors or the stockholders of the Company.
3. The Appointment and Remuneration Commission shall meet every time that the Board or its Chairman request the issuance of a report or the adoption of proposals and, in any case, when it is convenient for the good fulfilment of its functions. It shall be called by the Chairman of the Commission, either at his/her own initiative or on the request of the Chairman of the Board of Directors or two (2) members of the Commission itself.
4. The Commission shall appoint a Chairman from among its members. Moreover, it shall appoint a Secretary who need not be a member of said Commission and it may appoint an Under-secretary. If nobody is appointed, the position shall be held by the Secretary of the Board. Minutes of the resolutions adopted in each session shall be kept, and the Board shall be informed about them. **The minutes shall be made available to all the members of the Board in its Secretariat, but shall not be sent or delivered for reasons of a discretionary nature, unless the Chairman of the Commission stipulates otherwise.**
5. The Appointment and Remuneration Commission shall be validly held when the majority of its members attend the meeting, in person or represented. Resolutions shall be adopted by the majority vote of the members attending either in person or represented.

Chapter V. FORM TO ADOPT RESOLUTIONS

Section 15. Meetings of the Board and Adoption of Resolutions

1. The sessions of the Board and its Commissions may be held using distance means of communication if all members cannot be present at the place fixed for the meeting in the notice of meeting.

Those who cannot be physically present at the place of the meeting but who use of such means of communication that allow the meeting to be held in a simultaneous and reciprocal way with the members in the place of the meeting and the other members who use distance means of communication, will in all effect considered to have attended the meeting and shall be able to vote through the means of communication used.

2. Notwithstanding the foregoing provisions, resolutions may also be adopted without a meeting when no director opposes to the procedure, and members may vote in written form or by e-mail, provided the identity of the voting Director is ensured.

Chapter VI. APPOINTMENT OF DIRECTORS AND CESSATION OF OFFICE

Section 16. Appointment of Directors

1. Directors shall be appointed by the General Board or the Board of Directors in accordance with the provisions of the Limited Companies Act and the Articles of Association.
2. The proposals for the appointment of directors submitted by the Board of Directors to the General Board for consideration and the appointment decisions adopted by this body by virtue of the legally attributed co-optation powers shall be preceded by the corresponding proposal made by the Appointment and Remuneration Commission, **when it is a question of independent directors and by a report for the remaining directors.**

Section 17. Appointment of External Directors

1. The Board of Directors and the Appointment and Remuneration Commission shall try, pursuant to their powers, that the election of candidates be made among persons of recognised solvency, competence and experience, and they shall be even more strict regarding the candidates to hold the position of independent director pursuant to Section 5 of these Regulations, ~~in the case the appointment be made according to subsection 3 thereof.~~
- ~~2. The Board of Directors shall not propose or appoint in order to cover the position of independent director any persons who have any relation with the corporate management or who are somehow related to the executive directors or other top managers of the Company by family bonds or by professional or commercial links.~~
2. **Independent directors shall be considered to be those who, designated in view of their personal and professional conditions, can perform their duties without being conditioned by relations with the company, its significant shareholders and its directors.**

Particularly, the following persons shall not be proposed as or appointed as independent directors **who**:

- ~~a) persons who hold or have held executive positions in the Company in the last two (2) years;~~
- ~~b) relatives of those who are or have been executive directors or top managers of the Company in the last two (2) years;~~
- ~~e) persons who have directly or indirectly, through the companies in which they have a significant ownership interest, made or received payments of the Company that may impair their independence; and,~~

~~d) persons who have other relations with the Company, who, at the Appointment and Remuneration Commission's discretion, may have their independence reduced.~~

- a) Have been employees or executive directors of group companies, unless 3 or 5 years, respectively, have passed since the termination of these relations.
- b) Receive from the company, or from its same group, any amount or benefit for a reason other than their remuneration as director, unless it is not significant.

For the purposes of the provisions of this section, the dividends or the pension complements that the director receives by way of his or her previous professional or labour relations shall not be taken into account, provided that these complements are of an unconditional nature and, consequently, the company that pays them cannot, in a discretionary manner, without their being a non-fulfilment of obligations, suspend, modify or revoke their accrual.

- c) Are, or have been during the last 3 years, a partner of the external auditor or person responsible for the audit report, whether it is the audit during this period of the listed company or of any other company from its group.
- d) Are executive directors or top managers of another company in which some executive director or top manager of the company is an external director.
- e) Maintain, or have maintained during the last year, important business relations with the company or with any other company from its group, whether on their own behalf or as a significant shareholder, director or top manager of an organization which maintains or has maintained these relations.

Business relations shall be considered to be those of supplier of goods or services, including financial ones, those of adviser or consultant.

- f) Are significant shareholders, executive directors or top managers of an organization which receives, or has received during the last 3 years, significant donations from the company or from its group.

Those who are mere trustees of a Foundation which receives donations shall not be considered to be included under this letter.

- g) Are spouses, people linked by similar emotional relations, or relatives up to second-degree kinship, of an executive director or top manager of the company.
- h) Were not proposed, either for their appointment or renewal, by the Appointment Commission.
- i) Are, in relation to some significant shareholder or shareholder represented on the Board, in one of the cases indicated under letters a), e), f) or g) above. In the event of the relations of kinship indicated under letter g), the limitation will be applied not only in relation to the shareholder, but also in relation to the *dominical** directors in the investee company.

The *dominical** directors who lose this condition as a result of the sale of their interest by the shareholder they were representing, can only be re-elected as independent directors when the shareholder they were representing until that time has sold all of their shares in the company.

A director who holds a shareholding interest in the company can be independent, provided that they meet all the conditions established above and, moreover, their interest is not significant.

(Note: *: Director representing a major stockholder)

Section 18. Term of Office

1. Directors shall hold office during the term provided in the Articles of Association, and they may be re-elected.
2. Directors appointed by co-optation shall hold office up to the date of the first General Meeting.
3. When, upon prior report from the Audit and Control Commission, the Board of Directors considers that the interests of the Company are at risk, the Director who finishes his/ her term of office or who due to any other reason leaves his office shall not render services to another entity having a subject matter similar to that of the Company during the established term which shall in no case exceed two (2) years.

Section 19. Cessation of Office of Directors

1. Directors shall cease to hold office when the term for which they were appointed has expired and when the General Meeting pursuant to its legal powers or the powers conferred in the Articles of Association so decides.
2. Directors shall put their position at the Board of Directors' disposal and resign, if the Board deems it convenient, in the following cases:
 - a) when they no longer hold the executive positions to which their appointment as director is associated;
 - b) when they fall into one of the cases of incompatibility or prohibition provided by law;
 - c) when they are accused of an allegedly criminal act or they are the subject to a disciplinary record for a serious or very serious offence by the supervising authorities; and,
 - d) when their continuance on the Board may put the Company's interests at risk or when the reasons for which they were appointed disappear. This **last** circumstance shall be considered to exist with respect to a *dominical** director when the total stock ownership interest owned or represented by him/ her is sold **and also when the reduction in their stock ownership interest requires the reduction of their *dominical** directors.**

(Note: *: Director representing a major stockholder)

Chapter VII. INFORMATION OF THE DIRECTORS

Section 20. Information and Inspection Powers

1. The director is vested with the broadest powers to obtain information about any aspect of the Company, to examine its books, records, documents and other background information about corporate operations and to inspect all its facilities. The right to information covers all affiliated companies.
2. For the purpose of avoiding impairment of the ordinary management of the Company, directors shall

exercise these powers of information through the Chairman if he/ she has an executive capacity, and if not so, through the Delegate Director, who shall see to the director's request directly by granting him/ her the information, offering the appropriate interlocutors in the corresponding organization stratum or taking the measures so that he/ she may exercise the examination and inspection powers in situ.

Section 21. Expert's Assistance

1. For the purpose of being assisted in the exercise of their functions, the external directors may request the Company that legal, accounting and financial advisors, or others, be hired at its expense. The request shall be connected with specific problems of certain importance and complexity that arise from the performance of the position.
2. The decision to hire experts shall be communicated to the Chairman if he has executive capacity and, if not so, to the Company's Delegate Director and it may be vetoed by the Board of Directors if it shows:
 - a) that it is not necessary for the good performance of the functions entrusted to the external directors;
 - b) that its cost is not reasonable taking into account the importance of the problem and the assets and incomes of the Company; or
 - c) that the technical assistance required may appropriately be provided by the experts and technicians of the Company.

Chapter VIII. REMUNERATION OF THE DIRECTOR

Section 22. Remuneration of the Director

The director shall be entitled to receive the remuneration established by the Board of Directors in accordance with the provisions of the Articles of Association and the instructions of the Appointment and Remuneration Commission.

Section 23. Remuneration of the External Director

The Board of Directors and the Appointment and Remuneration Commission shall take all measures to ensure that the remuneration of external directors is adjusted to their actual commitment and it shall offer incentives for their commitment, without being an obstacle for their independence.

Chapter IX. DUTIES OF DIRECTORS

Section 24. General Duties of Directors

In the performance of his/ her duties, the director shall act with the diligence of an organized businessperson and a loyal representative, being specially bound to:

- a) be informed about and prepare in an appropriate way the meetings of the Board and the delegate bodies to which he/ she is part of;
- b) attend the meetings of the bodies to which he/ she is part of and actively participate in the deliberations so that his/ her criteria actually contributes in the decision making.

In the case that, with justified cause, he/ she cannot attend the meetings to which he/ she has been called, he/ she shall give instructions to the director who shall represent him/ her;

- c) perform any specific duty entrusted to him/ her by the Board of Directors and that is reasonably within his commitment;
- d) investigate any irregularity in the Company's management of which he may have learnt and control any risk situation; and,
- e) urge the people with power to call meetings, to call an extraordinary meeting of the Board or to include as an item on the agenda of the first meeting the items that he/ she may consider convenient.

Section 25. Confidentiality Duty of the Director

1. The director shall keep the deliberations of the Board of Directors and the Commissions to which he/ she is part in secret, and, in general, abstain from disclosing the information he/ she had access to during the performance of his/ her duties.
2. This obligation of confidentiality shall remain after the director leaves his/ her office.

Section 26. Conflicts of Interest

The director shall not, directly or indirectly, make professional or commercial transactions with the Company unless he/ she informs in advance about the conflict of interest situation and the Board, prior report from the Appointment and Remuneration Commission, approves the transaction.

In case of conflict, the affected director shall abstain from participating in the operation to which the conflict refers, **not attending the deliberation and the voting**. The votes of the directors who are affected by the conflict and who shall abstain from voting shall be deducted for the required majority of votes.

In any case, the situation of conflict of interest of directors shall be the subject of information in the Corporate Governance Annual Report.

The directors shall inform the Board about their ownership interest in another company having the same, similar or complementary kind of activity as its subject matter, as well as the positions or functions they perform in these companies, and the performance by themselves or through third parties of the similar or complementary kind of activity to that of the subject matter of the Company. This information shall be included in the Annual Report.

Section 27. Corporate Assets Use

1. The director shall not use the Company's assets or make use of his position with in it to obtain an equity advantage, unless he has paid appropriate consideration.
2. Exceptionally, the director may be exempted from the liability to pay the consideration, but in this case, the equity advantage shall be considered to be an indirect remuneration and shall be authorized by the Board, upon prior report from the Appointment and Remuneration Commission. If the director receives the advantage in his capacity as a member, it shall only be valid if the stockholders equal treatment is respected.

Section 28. Non Public Information

1. The director shall only make use of the Company's non public information for personal purposes if the following conditions are met:
 - a) that such information is not used in connection with the purchase or sale of securities of the Company, or other companies that may be affected by the information.
 - b) that its use does not cause any damage to the Company; and,
 - c) that the Company does not have an exclusivity right or a legal position of similar meaning on the information that he/ she wishes to use.
2. In addition to the condition set forth in (a) above, the director shall comply with the rules of conduct established in the Stock Market legislation and, especially, the ones stated in the Company's Conduct Internal Regulations in the Stock Markets.
3. The condition set forth in (c) above may be replaced by complying with the rules of the previous Section.

Section 29. Business Opportunities

1. Directors shall not use the Company's name or refer to their capacity as directors thereof in order to engage in transactions of their own or of people related to them.

Directors shall not take advantage for themselves or for people related to them of a business opportunity of the Company, unless they offer it to the Company, the Company decides not to take without the directors' influence, and the fact of taking advantage of this opportunity is authorized by the Board, upon prior report from the Appointment and Remuneration Commission.

2. For the purposes of the above subsection, business opportunity shall mean any possibility to make an investment or a commercial transaction arising from or discovered in connection with the position held by the director, or through the use of corporate means and information, or under such circumstances that make it reasonable to think that a third party's offer was actually directed to the Company, or that the latter was interested in it.
3. People related to the directors shall be those referred to in Section 127 ter of the Revised Text of the Limited Companies Act.

Section 30. Duty to Inform of the Director

1. The director shall inform the Company about the stocks of the Company he/ she owns directly or through companies where he/ she has a controlling ownership interest. Moreover, the director shall inform about other stock in direct or indirect possession of his/ her close relatives, all pursuant to the provisions of the Conduct Internal Regulations.
2. The director shall ~~also~~ inform the Company about all the positions he/ she holds and the activities he/ she performs in other companies or entities, and, in general, about any fact or situation that may be important to his/ her performance as the corporate manager.
3. **The Directors may not form part – as well as of the Board of Sociedad General de Aguas de Barcelona, S.A. – of more than 4 Boards of Directors of corporations.**

The following rules shall be taken into account for the purposes of calculating the number of Boards to which the previous paragraph refers:

- a) Those Boards of which they form part as *dominical** Directors proposed by Sociedad General de Aguas de Barcelona, S.A. or by any company from its group shall not be counted.
 - b) All the Boards of companies which form part of a same group shall count as a single Board, as shall those of which they form part in their capacity as *dominical** Directors of any group company, even if the interest in the capital of the company or its degree of control does not allow it to be considered as a member of the Group.
 - c) Those Boards of holding companies or which constitute vehicles or complements for the professional practice of the Director him or herself, of their spouse or person of similar emotional relationship, or of their closest relatives, shall not be counted.
 - d) Those Boards of companies whose purpose, although they are of a commercial nature, is complementary or accessory to another activity which for the Director represents an activity of leisure, assistance or help for third parties or any other which does not represent for the Director a strict and true dedication to a commercial business, shall not be considered in the calculation.
4. The director must inform the Company about those circumstances which affect him or her and may harm the standing or reputation of the Company, especially about the criminal cases in which they appear as suspects and about their procedural vicissitudes of importance. The Board may require the Director, after examining the situation that arises, to resign, and this decision must be complied with by the Director.

(Note: *: Director representing a major stockholder)

Section 31. Transactions with Significant Stockholders

1. The Board of Directors formally reserves the knowledge of any important transaction of the Company with a significant stockholder.
2. In the case of ordinary transactions, the generic authorization of the operation line and its performance conditions shall be enough.

Chapter X. RELATIONS OF THE BOARD

Section 32. Relations with Stockholders

1. The Board of Directors shall determine the appropriate ways to know the proposals that may be made by the stockholders in connection with the corporate management.
2. The Board, by means of some of its directors and with the assistance of the top managers that it shall deem appropriate, may organize meetings to inform about the corporate operation for the stockholders who are in the most important financial markets of Spain and other countries.
3. The public requests for vote delegation made by the Board of Directors or any of its members shall state in detail the sense in which the representative is to vote in the event the stockholder does not give instructions. The vote delegation by virtue of this public request shall not be exercised in the items on the agenda in which there is a conflict of interest pursuant to the provisions of section 114 of the Stock

Market Act.

4. The Board of Directors shall promote stockholders' informed participation in the General Meetings and shall adopt as many measures as may be appropriate to help the General Shareholders' Meeting to actually exercise its functions pursuant to the Law and the Articles of Association.

Particularly, the Board of Directors shall adopt the following measures:

- a) it shall try to make available for the stockholders before the meeting all information that may be legally required and all the information that is not so, may be interestingly and reasonably provided;
- b) it shall see to the information requests made by the stockholders before the Meeting with the greatest diligence;
- c) it shall answer the questions made by the stockholders on the occasion of the Meeting with equal diligence; and,
- d) it shall make sure that the issues proposed at the Meeting be voted in an orderly and separate way, allowing stockholders to express their opinion about each question put to vote.

Section 33. Relations with Institutional Stockholders

1. The Board of Directors shall establish appropriate mechanisms for the regular exchange of information with the institutional investors who form part of the corporate stockholders.
2. In no case shall the relations between the Board of Directors and the institutional stockholders be translated into the disclosure of any information that may put the latter in a privileged or advantageous situation with respect to the other stockholders.

Section 34. Relations with the Markets

1. The Board of Directors shall ensure that the instructions in force as regards information of important facts be complied with.
2. The Board of Directors shall adopt all the measures necessary to assure that the six-monthly, quarterly and any other financial information which prudence requires to put at the markets disposal be made in accordance with the same professional principles, criteria and practices with which the annual accounts are made and that they have the same reliability that the latter have. For this last purpose, this information shall be checked by the Audit and Control Commission.
3. The duty to inform shall be complied with through any technical, computer or telematics means, notwithstanding the stockholder's right to request information in writing.
4. In order to exercise the right to information and to diffuse the important information, a web site shall be available.

Section 35. Relations with the Auditors

1. The Board's relations with the of the Company's external auditors shall be channelled through the Audit and Control Commission.
2. The Board of Directors shall publicly inform about the global fees paid by the Company to the auditing

firm for different auditing services.

3. The Board of Directors shall try to definitively draw up the accounts so that there are no exceptions made by the auditor. However, when the Board considers that its criteria must be kept, it shall publicly explain the content and scope of the discrepancy.

ADDITIONAL PROVISION. HONORARY CHAIRMEN

The Board of Directors, in view of the special significance of their mandates, will be able to designate as Honorary Chairmen those people having occupied the position of Chairman of the Board, and also to confer on them powers of honorary representation of the company and for those events expressly indicated by the Chairman of the Board.

Honorary Chairmen can exceptionally attend the Board meetings when they are invited by its Chairman, and besides the powers of honorary representation, they will advise the Board and its Chairman, and collaborate in maintaining the best relations of the shareholders with the company management bodies and of the shareholders between themselves.

The Board of Directors will provide Honorary Chairmen with the technical, material and human means that it considers suitable for them to develop their functions in the most adequate terms, and through the most pertinent formulas.

Signed: The Secretary
of the Board of Directors