



SOCIEDAD GENERAL DE AGUAS DE BARCELONA, S.A.

Report of the Board of Directors on the modification of Sections 12, 13, 23 and 24 of the Articles of Association

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The Board of Directors unanimously approves the following report on the modifications of Sections 12, 13, 23 and 24 of the Articles of Association, which it proposes to the Ordinary General Meeting called for the 19 May 2006 at the first notice and for the following day at the second notice.

Section 12: Law 19/2005 amended Article 97 of the *Ley de Sociedades Anónimas*, establishing that the minimum period for the publication of the notification of the General Meeting is one month, and it is therefore necessary to modify section 12 of the Articles of Association, replacing the period of 15 days by that of one month, and eliminating the reservation in the cases of merger or spin-off, as the period of one month governed for them, unlike the general period of fifteen days, and the period is now the same, one month.

Section 13: Law 19/2005 amended Article 97 of the *Ley de Sociedades Anónimas*, extending the minimum period for the announcement of the Meeting from fifteen days to one month, but did not amend Article 100, which established that the shareholders holding at least 5% of the share capital could request the Board to call a Meeting, the same having to be called by the Board to be held within the thirty days following the date on which the Board was notarially requested to call it. There is thus currently a contradiction between Articles 97 and 100, as the latter does not give sufficient time to fulfil the reformed wording of Article 97. It is thus proposed to remove from the Articles of Association the reference to the period of thirty days taken textually from Article 100 of the Law, due to a reference stipulated in the latter, as the Law will have to be modified to harmonize Article 100 and 97 and this will therefore avoid having to make another modification to the Articles of Association shortly.

Section 23: Section 23 currently establishes that the Directors are appointed for a maximum term of five years, which is not considered to be fully adapted to the Law, as according to the Law, the Articles of Association should not establish a maximum term, but rather should establish the term of office of the Directors. Moreover, Article 126 of the Law, amended by Law 19/2005, currently establishes that the term should be the same for all Directors. For this reason, and to simplify the



subject of the terms of office of the Directors, the Board's proposal consists of removing the cases currently included in section 23 of the Articles of Association, in which the period of appointment is not the period of five years, because a vacancy is covered which was caused by the early termination of another Director, and especially, when this takes place due to the ratification of the appointment by cooptation carried out by the Board. A system of calculation of the term is moreover proposed which does not allow, according to the date on which the Ordinary General Meeting is held, the term of office of a Director to be extended almost a year due to a matter of a few days. It is thus proposed that the statutory term of office of five years should be considered to have been fulfilled on the day on which the Ordinary General Meeting is held in the year in which the five years from the appointment are fulfilled, so that a Director who is appointed in an Ordinary General Meeting shall end their term of office in the Ordinary General Meeting which is held five years later, irrespective of whether this is held a few days before or after the date on which it was held five years earlier.

Section 24: In the modification of this section it is proposed to introduce the figure of Honorary Chairman, regulating the content of their duties. The Board considers that it is appropriate to include in the Articles of Association the figure of Honorary Chairman in order to attribute it to those people who have had a special significance in their term of office as Chairman of the Company, given that it is considered that they can provide not only duties of honorary representation, as is appropriate from the name of the position, but also duties of advice for the Board, and collaboration with it to maintain the best relations of the shareholders with the Company and with each other, due to the special authority achieved on exercising their position as Chairman of the Board.

