

**ANNUAL CORPORATE GOVERNANCE REPORT**  
**OF URALITA, S.A.**

NIF (Tax Identification Number) or CIF (Tax Identification Code)	Other information
A-28037091	With registered offices in (28004) Madrid, at Paseo de Recoletos 3, entered in Book 711, Folio 168, Page M-14514 before the Madrid Mercantile Register.

**A OWNERSHIP STRUCTURE**

A.1 Fill out the following table on the Company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
26 May 2004	142,199,861.04	197,499,807	1 every 15 shares

**All shares are of the same class and series with the same political and economic rights. Such shares are represented by account entries and registered in Iberclear's relevant accounting records. All the shares that form Uralita's share capital can be negotiated in the Stock Exchanges of Madrid, Barcelona and Valencia through the Spanish Stock Market Interconnection System (Continuous Market).**

Indicate if there are different classes of shares that carry different rights:

Yes       NO

Class	Number of shares	Unit par value	Unit number of voting rights	Other rights
-	-	-	-	-

A.2 List the direct and indirect holders of significant ownership interests in the Company at year-end, excluding directors:

**At 31 December 2008 there are no Company significant direct or indirect shareholders other than Company Directors.**

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% over total voting rights
-	-	-	-

(\*) Through:

Name or company name of direct holder of ownership interest	Number of direct voting rights	% over total voting rights
-	-	-

Specify the most significant variations in shareholder structure during the year:

Name or company name of shareholder	Transaction date	Transaction description
-	-	-

A.3 Fill out the following tables on the members of the company's Board of Directors who hold voting rights over shares in the company:

Name or company name of director	Number of direct voting rights	Number of indirect voting rights (*)	% over total voting rights
<b>Nefinsa, S.A.</b>	<b>10,409,958</b>	-	<b>79.063</b>
<b>Caja de Ahorros de Salamanca y Soria</b>	690,383	-	<b>5.240</b>
<b>ATALAYA INVERSIONES, S.R.L.</b>	658,333	-	<b>5.000</b>
<b>Mr. Jorge Alarcón Alejandro</b>	714	-	<b>0.005</b>
<b>Mr. Álvaro Rodríguez-Solano Romero</b>	114	-	<b>0.000865</b>
<b>Mr. Jose Antonio Carrascosa Ruiz</b>	114	-	<b>0.000865</b>
<b>Mr. Javier Gonzalez Ochoa</b>	114	-	<b>0.000865</b>
<b>Mr. Jose Ignacio Olleros Piñero</b>	114	-	<b>0.000865</b>

(\*) Through:

Name or company name of direct holder of ownership interest	Number of direct voting rights	% over total voting rights
-	-	-

Total % of voting rights held by the Board of Directors	<b>89.31146</b>
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Fill out the following tables on the members of the Company's Board of Directors who hold rights over shares in the Company:

**No Company Director has call options on Company shares.**

Name or company name of director	Number of direct voting rights	Number of indirect options	Equivalent number of shares	% over total voting rights
-	-	-	-	-

- A.4 Indicate, as appropriate, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business:

Related name or company name	Type of relationship	Brief description
Caja de Ahorros de Salamanca y Soria (CAJA DUERO)	Corporate	Nefinsa partner in "Air Nostrum LAM, S.A."
Nefinsa, S.A.	Corporate	Caja de Ahorros de Salamanca y Soria partner in "Air Nostrum LAM, S.A."

- A.5 Indicate, as appropriate, any relationships of a commercial, contractual or corporate nature existing between the holders of significant ownership interests and the company and/or its Group, unless they have scant relevance or arise from the ordinary course of business:

Related name or company name	Type of relationship	Brief description
Caja de Ahorros de Salamanca y Soria (CAJA DUERO)	Contractual	Guaranteed lines coverage contract up to € 3,000,000 with no set maturity date, of which € 1,825,000 have been executed.
Caja de Ahorros de Salamanca y Soria (CAJA DUERO)	Contractual	Current account credit contract up to € 5,000,000 executed on 11/12/2008.

- A.6 Indicate whether the company has been notified of any shareholders agreements that may affect it pursuant to Article. 112 of the Spanish Securities Markets Law (SML). If so, briefly describe them and specify the shareholders party to those agreements:

Yes  No

Parties to the shareholders' agreement	% of affected share capital	Brief description of agreement
Shareholders owning 100% of Nefinsa, S.A. share capital	79.063	This Family Protocol (" <i>the Family Protocol</i> ") in Nefinsa, S.A. ("Nefinsa") was signed on 10 June 2008 by shareholders owning 100% of Nefinsa share capital effective upon signature and replacing a previous one dated 3 March 2000. The Family Protocol includes an agreement in clause 4.4 related to the sales right in favour of signatory shareholders, representing a shareholders' agreement as it regulates aspects related to the transfer of Nefinsa shares. This shareholders' agreement was notified as Report of Significant Event no. 95485 by Nefinsa on 4 July 2008.
Shareholders owning 100% of Nefinsa, S.A. share capital	79.063	Shareholders owning 100% of Nefinsa share capital signed on 26 November 2008 an Annex to

		the Family Protocol introducing an amendment to the abovementioned clause 4.4, whereby the sales right may only be exercised with signatories' unanimous agreement. Such requirement shall expire on 1/1/2012. This amendment was notified as Report of Significant Event no. 101216 by Nefinsa on 5 December 2008.
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Indicate whether the company is cognizant of the existence of concerted actions between the shareholders. If so, briefly describe them:

Yes  No

Parties to concerted action	% of affected share capital	Brief description of agreement
Mr. Emilio Serratosa Ridaura, Mr. Javier Serratosa Luján, Mr. Gonzalo Serratosa Luján and Nefinsa, S.A.	79.063	<p>Agreement for joint exercise of voting rights at Nefinsa, S.A. and Uralita, S.A., as described in the above table. Promotes the joint exercise of shareholders' voting right at Nefinsa's General Meeting and Board of Directors pursuant to the criteria previously established by trade union members. There is, therefore, a concerted action of union shareholders to control Nefinsa and Uralita.</p> <p>The union shareholder also holding directorship undertakes the responsibility to perform his/her duties pursuant to the instructions issued by union members, provided they are not in conflict with corporate interests or his/her office responsibilities.</p> <p>Said agreement was signed by all of Nefinsa's shareholders on 23 October 2007 and was made effective on 3 December 2007, when it was notified to the National Securities Market Commission.</p>

Expressly indicate any amendment to or termination of such agreements or concerted action during the fiscal term:

**The previous Nefinsa Family Protocol signed on 3 March 2000 shall be disregarded as a result of the execution of the abovementioned Nefinsa Family Protocol on 10 June 2008.**

A.7. Indicate whether there is any individual or legal entity that exercises, or can exercise, control over the Company, in accordance with Article 4 of the Securities Market Law. If so, describe them briefly:

Yes  No

Name or company name
Nefinsa, S.A

Remarks
Nefinsa, S.A. holds direct ownership of 79.063% of Uralita's voting rights.

A.8 Fill out the following tables on the company's treasury shares:

**During 2008, Uralita performed the following transactions with treasury shares:**

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % on share capital
3,845,236	-	1.946

(\*) Through:

Name or company name of direct holder of ownership interest	Number of direct shares
-	-
Total	-

Give details of any significant variations during the year, in accordance with Royal Decree 1362/2007:

Notification date	Total direct purchased shares	Total indirect purchased shares	Total % on share capital
18/07/2008	1,718,725	-	0.87%
10/11/2008	1,852,617	-	0.94%

Gains / (Losses) from treasury shares sold during the period.	<b>117,329.92 €</b>
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- A.9 State the conditions and the term of the authorisation currently in force granted by the General Meeting to the Board of Directors to carry out acquisitions or transfers of treasury shares.

**The General Shareholders' Meeting held on 7 May 2008 adopted the following resolution, among others:**

*“Nine: Authorise, pursuant to Article 75 of the Companies Law, derivative acquisition of Uralita, S.A. shares through purchase and pursuant to applicable provisions up to the maximum legal amount. The authorisation includes those acquisitions performed by Uralita, S.A. subsidiaries within the abovesited limit.*

*Shares acquired by the Company or its subsidiaries under this authorisation are expressly authorised to be granted to Company employees or managers, either in part or in whole, pursuant to the Share Plan referred to in provision 7 above.*

*This authorisation shall be valid for eighteen months, disregarding the authorisation granted at General Meeting held on 17 May 2007 by virtue thereof.”*

- A.10 Indicate any legal or bylaw restrictions on the exercise of voting rights and any legal restrictions on the acquisition or transfer of ownership interests in the share capital.

State if there are any legal restrictions on the exercise of voting rights:

Yes  No

Maximum percentage of voting rights that can be exercised by a shareholder due to legal restriction	-
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State if there are any bylaws restrictions on the exercise of voting rights:

Yes  No

Maximum percentage of voting rights that can be exercised by a shareholder due to restriction in the bylaws	-
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Description of legal and bylaw restrictions to voting rights
Article 17 of the Company Bylaws states the right to attend the General Meeting of shareholders owning 15 shares or more registered in the corresponding accounting record at least five days prior to such Meeting. Fifteen shares are equivalent to one voting right.

State if there are any legal restrictions on the acquisition or transfer of equity interests:

Yes  No

State if there are any legal restrictions on the acquisition or transfer of equity interests
-

A.11 State if the General Meeting has resolved to adopt measures to neutralise a take-over bid pursuant to the provisions of Law 6/2007.

Yes  No

If applicable, describe the measures approved and the terms under which the restrictions shall become void.

## **B** MANAGEMENT STRUCTURE OF THE COMPANY

### B.1 Board of Directors

B.1.1 Detail the maximum and minimum number of directors as per the by-laws:

Maximum number of directors	<b>20</b>
Minimum number of directors	<b>3</b>

B.1.2 Fill out the following table on the Board members:

Name or company name of director	Representative	Board office	Date of first appointment	Date of last appointment	Procedure for election
Mr. Javier Serratosa Luján	-	Chairman	10/12/2002	07/05/2008	Annual General Meeting
Nefinsa, S.A.	Mr. Gonzalo Serratosa Lujan	Director	10/12/2002	07/05/2008	Annual General Meeting
Caja de Ahorros de Salamanca y Soria –Caja Duero	Mr. Julio Feroso García	Director	14/06/2002	07/05/2008	Annual General Meeting
Atalaya Inversiones, S.L.	Mr. José Manuel Sánchez Rojas	Director	19/06/2001	22/06/2006	Annual General Meeting
Mr. Juan José Nieto Bueso	-	Director	07/05/2008	-	Annual General Meeting

Ms. María Teresa Pulido Mendoza	-	Director	07/05/2008	-	Annual General Meeting
Ms. Mónica Vidal Sanz	-	Director	07/05/2008	-	Annual General Meeting
Mr. José Antonio Carrasco-Ruiz	-	Director	10/12/2002	07/05/2008	Annual General Meeting
Mr. Javier González Ochoa	-	Director	10/12/2002	07/05/2008	Annual General Meeting
Mr. José Ignacio Olleros Piñero	-	Director	8/01/2003	07/05/2008	Annual General Meeting
Mr. Álvaro Rodríguez Solano Romero	-	Director Secretary	26/05/2004	26/05/2004	Annual General Meeting
Mr. Jorge Alarcón Alejandro	-	Director	22/06/2006	22/06/2006	Annual General Meeting

Total number of directors	12
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Indicate any removals of directors during the year:

**During 2008, three independent directors resigned because their office term expired.**

Name or company name of director	Director's condition upon termination	Date of termination
Mr. Javier Echenique Landiribar	Independent non-executive	25/3/08
Mr. Jose Manuel Serra Peris	Independent non-executive	25/3/08
Mr. Jesús Quintanal San Emeterio	Independent non-executive	25/3/08

B.1.3 Fill out the following tables on the members of the Board and their status:

#### EXECUTIVE DIRECTORS

Name or company name of director	Committee proposing appointment	Office as per company organisation chart
Mr. Javier Serratosa Luján	Appointments and Remuneration Committee Meeting 25/03/2008	Executive Director
Mr. Álvaro Rodríguez-Solano Romero	Appointments and Remuneration Committee Meeting 10/05/2004	Legal Advice Corporate Director
Mr. Jorge Alarcón Alejandro	Appointments and Remu-	Planning and Devel-

	<b>neration Committee Meeting 27/03/2006</b>	<b>opment Corporate Director</b>
<b>Mr. José Ignacio Olleros Piñero</b>	<b>Appointments and Remuneration Committee Meeting 25/03/2008</b>	<b>Chief Financial Executive</b>

Total number of executive directors	<b>4</b>
Total % of the Board	<b>33.33</b>

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name or company name of director	Committee proposing appointment	Name or company name of significant shareholder represented or proposing appointment
<b>Nefinsa, S.A.</b>	<b>Appointments and Remuneration Committee Meeting 25/03/2008</b>	<b>Nefinsa, S.A.</b>
<b>Caja de Ahorros de Salamanca y Soria</b>	<b>Appointments and Remuneration Committee Meeting 25/03/2008</b>	<b>Caja de Ahorros de Salamanca y Soria</b>
<b>Atalaya Inversiones, S.R.L.</b>	<b>Appointments and Remuneration Committee Meeting 27/03/2006</b>	<b>Atalaya Inversiones, S.R.L</b>
<b>Mr. José Antonio Carrascosa Ruiz</b>	<b>Appointments and Remuneration Committee Meeting 25/03/2008</b>	<b>Nefinsa, S.A.</b>
<b>Mr. Javier González Ochoa</b>	<b>Appointments and Remuneration Committee Meeting 25/03/2008</b>	<b>Nefinsa, S.A.</b>

Total number of proprietary directors	<b>5</b>
Total % of the Board	<b>41.66</b>

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name or company name of director	Profile
<b>Ms. María Teresa Pulido Mendoza</b>	Member of Uralita's Board of Directors since May 2008. She has a B.A. in Economics from Columbia University and an MBA from M.I.T Sloan School of Management. She is Fairfield Greenwich Group partner and sales director. She was previously Citigroup's Manager for Iberia and Northern Europe and Deutsche Bank Global Private Banking Chief of Operations.
<b>Ms. Mónica Vidal Sanz</b>	Member of Uralita's Board of Directors since May 2008. Degree in Business and Economics from CUNEF. She is N+1 partner and Nmás1 Gestión, SGIIC, S.A. Director and CEO. She is Advisor for Global Investment Strategy (UK) Ltd and Pelham Capital LLP. She was previously Executive Director at Alpha Value Management (UK) LLP and Investments Manager at Gestinvest Internacional Ltd.
<b>Mr. Juan José Nieto Bueso</b>	<b>Member of Uralita's Board of Directors since May 2008. Member of Uralita's Board of Directors since May 2008. Degree in Business and Economics from ICADE. He is Chairman and CEO of Palmera Capital y Servicios, S.L. and Chairman of Service Point Solutions. He was previously Chairman and CEO of Telefónica Media, Chairman of Vía Digital and CEO of Antena 3 Televisión.</b>

Total number of proprietary directors	<b>3</b>
Total % of the Board	<b>25</b>

OTHER NON-EXECUTIVE DIRECTORS

**The Company does not have any other non-executive directors.**

Name or company name of director	Committee proposing appointment
-	-

Total number of other non-executive directors	-
Total % of the Board	-

Give reasons why these other non-executive directors cannot be considered either proprietary or independent members and their relations, whether with the company or its officers, or with its shareholders:

-Name or company name of director	Reasons	Company, officer or shareholder with whom relation is maintained
-	-	-

Indicate any variations in the status of each director that may have occurred during the year:

**There were no changes to the type of directors during 2008.**

Name or company name of director	Date of change	Previous status	Current status
-	-	-	-

B.1.4 Describe, if applicable, the reasons why proprietary directors have been appointed at the initiative of shareholders whose shareholding is less than 5%:

**No shareholders controlling less than 5% of share capital have been appointed proprietary directors during the 2008 period.**

Name or company name of shareholder	Evidenced by:
-	-

State if formal requests for a presence of the Board have been rejected from shareholders with a shareholding equal to or greater than that of others who have been successfully appointed proprietary directors. If applicable, state the reasons for such rejection:

Yes  No

Name or company name of shareholder	Explanation
-	-

B.1.5 State if a director has resigned from his or her directorship before completing the term of office, if such director has given his or her reasons to the Board and by what means; and, if the reasons have been notified in writing to the entire Board, describe below at least the reason argued by the director:

**No director has relinquished his/her office before the end of his/her term during 2008.**

Name of director	Reason for removal
-	-

B.1.6 Indicate what powers, if any, have been delegated to the Chief Executive Officer/s:

**The Company does not have a formally appointed a chief executive officer. However, the Chairman of the Board of Directors performs the duties of Company CEO. To this end, similar powers to that of an executive director have been granted to the former.**

Name or company name of director	Brief description
-	-

B.1.7 Identify, as appropriate, the Board members who hold office as directors or executives at other companies forming part of the listed company's group:

Name or company name of director	Company name of Group company	Position
<b>Mr. Javier Serratosa Luján</b>	<b>Ursa Ibérica Aislantes, S.A</b>	<b>Deputy Chairman</b>
<b>Mr. José Ignacio Olleros Piñero</b>	<b>Uralita Holding, B.V</b>	<b>Director</b>
<b>Mr. José Ignacio Olleros Piñero</b>	<b>Uralita, B.V</b>	Director
<b>Mr. Álvaro Rodríguez-Solano Romero</b>	<b>Uralita Holding, B.V</b>	Director
<b>Mr. Álvaro Rodríguez-Solano Romero</b>	<b>Uralita, B.V</b>	Director
<b>Mr. José Ignacio Olleros Piñero</b>	<b>Chamberí Reinsurance, S.A</b>	<b>Chairman of Board of Directors</b>
<b>Mr. Álvaro Rodríguez-Solano Piñero</b>	<b>Chamberí Reinsurance, S.A</b>	<b>Director</b>
<b>Mr. Javier Serratosa Luján</b>	<b>Ursa Internacional GmbH</b>	<b>Director</b>

B.1.8. Give details, as appropriate, of any directors of the company who are members of the Boards of Directors of other non-Group companies that are listed on official securities markets in Spain, as disclosed to the Company:

Name or company name of director	Company name of listed company	Position
<b>Caja de Ahorros de Salamanca y Soria</b>	<b>Ebro Puleva, S.A.</b>	<b>Director</b>
<b>Mr. Juan José Nieto Bueso</b>	<b>Service Point Solutions, S.A</b>	<b>Chairman</b>

B.1.9 State and, if applicable, explain if the company has set forth rules on the number of boards on which its directors may hold seats:

Yes  No

Explanation of rules
-

B.1.10 In relation to recommendation 8 of the Unified Code, state the company general policies and strategies whose approval is reserved for the full Board:

	Yes	No
Investment and financing policy	X	
Definition of the structure of the corporate group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan and the annual management objectives and budgets	X	
Compensation and performance evaluation policy for senior executives	X	
Risk control and management policy and periodic monitoring of internal reporting and control systems	X	
Dividend policy, as well as treasury shares policy and, in particular, limits thereon.	X	

Among its powers –Art. 4 of the Board Regulations– the Board may approve Company's general policies and strategies, and specifically:

- The strategic or business plan, as well as the annual management objectives and budgets.
- Investment and financing policy.
- Definition of the corporate group's structure.
- Corporate governance policy.
- Corporate social responsibility policy.
- Remuneration policy of the Group's Executive Team.

In addition, pursuant to Article 4 of the Board Regulations, Uralita's Board of Directors has the power to decide on investments

that may imply individually, by units or by factory, an amount in excess of 20 million Euros, as well as the transfer of assets exceeding such amount, excluding Group Company's specific transactions.

B.1.11 Fill out the following tables on the aggregate remuneration of directors accrued during the year:

a) At the reporting company:

Remuneration item	Data in thousands of Euros
<b>Fixed remuneration</b>	1,415
<b>Variable remuneration</b>	233
<b>Attendance fees</b>	-
<b>Bylaw-stipulated directors' emoluments</b>	897
<b>Share options and/or other financial instruments</b>	-
<b>Other</b>	-
<b>TOTAL:</b>	<b>2,545</b>

Other benefits	Data in thousands of Euros
<b>Advances</b>	-
<b>Loans granted</b>	-
<b>Pension funds and plans: Contributions</b>	-
<b>Pension funds and plans: Obligations</b>	-
<b>Life insurance premiums</b>	-
<b>Guarantees provided by the Company for directors</b>	-

b) Due to membership of the Company's directors of other boards of directors and/or of the senior management of Group companies:

Remuneration item	Data in thousands of Euros
<b>Fixed remuneration</b>	-
<b>Variable remuneration</b>	-
<b>Attendance fees</b>	-
<b>Bylaw-stipulated directors' emoluments</b>	-
<b>Share options and/or other financial instruments</b>	-
<b>Other</b>	-
<b>TOTAL:</b>	<b>-</b>

Other benefits	Data in thousands of Euros
Advances	-
Loans granted	-
Pension funds and plans: Contributions	-
Pension funds and plans: obligations	-
Life insurance premiums	-
Guarantees provided by the Company for directors	-

c) Total remuneration by type of director:

Type of director	By Company	By Group
Executive directors	1,948	-
Non-executive proprietary directors	336	-
Independent non-executive directors	261	-
Other non-executive directors	-	-
Total	2,545	-

\*Data in thousands of Euros

d) With respect to profit attributable to the Parent:

Total directors' remuneration (thousands of Euros)	2,545
Total directors' remuneration/ profit attributable to the Parent (expressed as %)	6.32

B.1.12 Identify the senior executives who are not executive directors, and indicate the total remuneration accrued for them during the year:

Name or company name	Position
Mr. Daniel Llinas Sala	General Manager of Ursa Insulation, S.A.
Mr. José Luis Pozo Palomares	General Manager of Uralita Iberia S.L.
Mr. Luis Meseguer Muñoz	Human Resources Corporate Manager

Total remuneration of senior executives (thousand Euros)	1,206
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B.1.13 Identify in aggregate terms whether there are any guarantee or golden parachute clauses for senior executives, including executive directors of the Company or of its group, in the event of termination or changes in control. State if such agreements should be reported and/or approved by the bodies of the Company or its group:

**There are no guarantee or golden parachute clauses for senior executives or executive directors of the Company or its group, in the event of termination or changes in control.**

Number of beneficiaries	-
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	Board of Directors	Annual General Meeting
Body approving clauses	-	-

	YES	NO
Is the Annual General Meeting informed of the clauses?	-	-

B.1.14 Describe the process for setting Board members' remuneration and the relevant provisions in the company bylaws:

Process for setting Board members' remuneration and the relevant provisions in the company bylaws
<p>Article 27 of the Company Bylaws regarding Board remuneration states the procedure and form of remuneration for its members.</p> <p>The abovementioned article states that Board members shall receive a fixed amount whose maximum total limit shall be established by the General Shareholders' Meeting for each fiscal year. Should the General Meeting fail to establish this amount in any fiscal year, the maximum amount shall be the same as the one applied to the period immediately before.</p> <p>Following this, the Board of Directors decides both the annual amount within the limits established by the General Meeting and its distribution, which may not be the same for all directors.</p> <p>In addition to the above, Board members may be remunerated through the granting of shares or call options or any other compensation scheme linked to the price of shares. The implementation of such remuneration systems should be agreed by the General Meeting, under the conditions set out in Article 130 of the Companies Law.</p> <p>In addition, and pursuant to Article 27 of the Board Regulations, the Director shall be entitled to obtain the remuneration set forth by the Board of Directors following bylaw provisions, decisions adopted by the General Shareholders' Meeting about it and upon prior report by the Appointments and Remuneration Committee.</p>

State whether any of the following decisions are reserved for approval by the full Board:

	Yes	No
At the proposal of the company's chief executive, the appointment and potential removal of senior executives, as well as their indemnity clauses.	X	
The remuneration of directors and, in the case of executive directors, the additional compensation for their executive functions and other conditions to be fulfilled by their contracts.	X	

**Even though not expressly included in the Board of Directors Regulations, the Board has the power to decide on said matters as part of the Company's regular practice. In all cases, the Company aims at including such matters in the Board Regulations as specific Board responsibilities in good governance recommendations laid down in the Unified Code published by the National Securities Market Commission on 19 May 2006.**

B.1.15 State whether the Board of Directors approves a detailed remuneration policy and specify the issues on which it makes a pronouncement:

**Yes**  **No**

	Yes	No
Amount of fixed components, with an itemisation, where applicable, of fees for participation at the meetings of the Board and its Committees and an estimate of the annual fixed remuneration derived therefrom.	X	
Variable remuneration components.	X	
Main characteristics of social security systems, with an estimate of their amount or equivalent annual cost.		X
The conditions to apply to the contracts of executive directors exercising senior management functions. Among them	X	

B.1.16 State whether the Board brings before the General Meeting for a vote, as a separate point on the agenda, and on a consultative basis, a report on the directors remuneration policy. If so, explain the aspects of the report in relation to the remuneration policy approved by the Board for the coming years, the most significant changes therein with respect to the one applied during the year and an overall summary of how the remuneration policy was applied during the fiscal period. Describe the role played by the Remuneration Committee and state whether outside advisory service has been used. If so, identify the external consultants providing such advice:

**Yes**  **No**

Issues on which the remuneration policy report makes a pronouncement
<p>The Company's Board of Directors will approve this year a report on Board members Remuneration Policy corresponding to the 2008 fiscal year, which shall be submitted to the General Shareholders' Meeting for information purposes.</p> <p>The General Shareholders' Meeting held on 7 May 2008 approved the "2008 Uralita Group Delivery of Shares Plan", the cancellation of which will be proposed by the Board to the Annual General Shareholders' Meeting during the 2009 period.</p>

Remuneration Committee's role
<p>The Appointments and Remuneration Committee fully agrees with the 2008 remuneration policy. Said Committee makes recommendations or reports to the Board of Directors, as applicable and according to its responsibilities, on any point deemed convenient about the remuneration policy agreed by the Board. In this respect, the Remuneration Policy Report is submitted to consideration for the Board to agree or not on its contents.</p>

	Yes	No
Has external advisory service been used?		X
Identify the external consultants	-	

B.1.17 Indicate, as appropriate, which Board members are, in turn, members of the Boards of Directors or executives or employees of companies that hold significant ownership interests in the listed Company and/or group companies:

Name or company name of director	Name or company name of significant shareholder	Position
Mr. Javier Serratosa Luján	Nefinsa, S.A.	Chief Executive Officer
Mr. José Antonio Carrascosa Ruiz	Nefinsa, S.A.	Financial Manager
Mr. Javier González Ochoa	Nefinsa, S.A.	Secretary Non-director – Legal Advice and Human Resources Manager

Give details, as appropriate, of any material relationships, other than those envisaged under the preceding heading, of the members of the Board of Directors with significant shareholders and/or at Group companies:

**There are no other relations binding Board members with significant shareholders or Group companies.**

Name or company name of associated director	Name or company name of significant associated shareholder	Description of relationship
-	-	-

B.1.18 Indicate the amendments, if any, to the Board Regulations during the year:

Yes

No

Description of changes
<p><b>The Board of Directors' meeting held on 25 March 2008 approved the amendment to articles 4, 5, 7, 8, 9, 14, 15, 16, 23, 24, 27 and Repeal Provision of the Board of Directors Regulations, as well as the Consolidated Companies Law resulting from such amendments. The approval of this amendment was suspended contingent upon approval of Company Bylaws and Board Regulations by the General Meeting.</b></p>

B.1.19 Indicate the procedures for the appointment, re-election, evaluation and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

Directors are appointed by the General Shareholders' Meeting or by the Board of Directors exercising their power of cooption, pursuant to the Companies Law.

Directors' appointment and re-election proposals submitted by the Board of Directors before the General Meeting, as well as appointment resolutions adopted by the Board itself, should be preceded by a favourable report by the Appointments and Remuneration Committee, which previously assesses candidates conditions, analysing their academic and professional background, reputation, the existence of possible incompatibility, conflict of interests or disqualification on legal grounds or due to bylaw restrictions. Independent directors are proposed by the Appointments and Remuneration Committee itself.

Both said Committee and the Board are responsible for appointing directors who, in addition to observing legal and bylaw requirements, have the skills, experience and professional background appropriate for furthering their duties.

The General Meeting is responsible for removing directors. However, just as in the procedures established for appointing and re-electing directors, the Appointments and Remuneration Committee may propose the removal of a

director on the grounds of breaching his/her obligations, and submit it to the General Meeting for approval upon ratification of removal proposal.

**The Company has introduced in its corporate documents, mainly in the Board of Directors Regulations and the General Meeting Regulations, specific amendments necessary to adjust them to the good governance recommendations of the Unified Code published by the National Securities Market Commission on 19 May 2006. New measures for Directors' appointment, re-election, assessment and removal have been, therefore, introduced to adjust them to good governance recommendations.**

B.1.20 Indicate the cases in which the directors must resign.

**Article 8.2 of the Board Regulations states that Directors shall tender their resignation to the Board of Directors and formalise said resignation in the following cases:**

- (a) On their seventieth birthday.**
- (b) When they are disqualified on the grounds of conflict of interest or any other legal grounds.**
- (c) When seriously reprimanded by the Appointments and Remuneration Committee upon default of director's obligations.**

**Pursuant to good governance recommendations included in the Unified Code published by the National Securities Market Commission on 19 May 2006, the Company has included in said article of the Board Regulations new cases in which directors are forced to resign, namely:**

- (d) When they jeopardise Company interests or harm its name and reputation. Following this, the moment a director is indicted or tried for any of the crimes stated in Article 124 of the Companies Law, 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/she should be called on to resign.**
- (e) When independent directors remain in office for a consecutive twelve-year period.**
- (f) When the shareholder for whom a proprietary director proxies fully transfers his/her shareholding or diminishes it to a level that requires the proportional reduction of the number of proprietary directors.**

B.1.21 State whether the chairman of the Board of Directors also performs the functions of the company's Chief Executive. If so, describe the

measures taken to limit the risks of power being concentrated in the hands of one person:

Yes  No

Risk limiting measures
The Audit Committee and the Appointments and Remuneration Committee are established as stipulated by the Board, with specific and exclusive powers regulated by the Board Regulations, as mentioned below. These Committees function as an explicit limit to power accumulation, formed as preventive mechanisms in case of possible risks. In addition, Article 9.1 of the Board Regulations states the Chairman of the Board of Directors shall be compelled to summon a Board meeting upon request of at least two directors.

Indicate, and if applicable describe, any rules that have been established that authorise an independent director to request that a Board meeting be called or that new topics be included on the agenda, to coordinate and voice the concerns of non-executive directors and to manage the evaluation by the Board of Directors.

Yes  No

Explanation of rules
After the amendment of Article 9.1 of the Board Regulations, approved during Board meeting on 25 March 2008, pursuant to good governance recommendations included in the Unified Code published by the National Securities Market Commission on 16 May 2006, the current new text of Article 9.1 states that when the Chairman of the Board of Directors is also the Company's CEO, any independent director may summon a Board meeting.

B.1.22 Are qualified majorities, other than statutory majorities, required for any type of decision?

Yes  No

Describe how resolutions are adopted by the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions:

Adoption of resolutions		
Resolution description	Quorum	Type of majority
Pursuant to Article 26 of the Company Bylaws, revocation of an Audit Committee member in office requires the favourable vote of two thirds of the Board.	Half of the members plus one at first call. No quorum is required at second call.	This resolution requires the favourable vote of two thirds of the Board to be valid.

B.1.23 Explain whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman.

Yes

No

B.1.24 State whether the Chairman has a casting vote:

Yes

No

Matters to which casting vote applies
<b>Casting vote applies to all matters</b>

B.1.25 .Indicate whether the bylaws or the board regulations set any age limit for directors:

Yes

No

Age limit for Chairman: **70**

Age limit for Chief Executive: **70** Age limit for Directors: **70**

B.1.26 Indicate whether the Bylaws or the Board Regulations set a limited term of office for independent directors:

Yes

No

Maximum term of office (years)	-
--------------------------------	---

B.1.27 If the number of female Board members is nil or small, explain the reasons why and describe the initiatives adopted to correct this situation.

<b>Description of the reasons and initiatives</b>
-

In particular, state whether the Appointments and Remuneration Committee has laid down any procedures so that the selection processes are not affected by implicit biases that may hinder the selection of female directors, and instead deliberately seek out female candidates with the required profile:

Yes

No

Describe the main procedures
-

B.1.28 Indicate whether there are any formal procedures for granting proxies to vote at Board meetings. If so, give brief details.

**According to Article 24 of the Company Bylaws, any Board member may expressly proxy to another director his/her representation and vote. In practice, directors proxy in writing and for each Board meeting individually.**

B.1.29 Indicate the number of Board meetings held during the year and how often the Board has met without the Chairman's attendance:

Number of Board meetings	7
Number of Board meetings without Chairman's attendance	0

Indicate how many meetings of the various Board Committees were held during the year.

Number of Audit Committee meetings	7
Number of Appointments and Remuneration Committee meetings	4

B.1.30 State the number of meetings held by the Board of Directors during the financial year, which were not attended by all members. For this purpose, appointments of representatives without specific instructions will be considered non-attendance:

Number of non-attendance by directors during the period	5
% non-attendance of total votes during the period	10.71

B.1.31 Indicate whether the individual and consolidated financial statements submitted for approval by the Board are duly certified:

Yes

No

Financial statements submitted to the Board for formal preparation are not certified by the Chairman or the CFO. However, they do count with prior favourable report by the Audit Committee.

Indicate, as appropriate, the person(s) who certified the Company's individual and consolidated financial statements for formal preparation by the Board:

Name	Position
-	-

B.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by it from being submitted at the Annual General Meeting with a qualified auditors' report.

Mechanisms established by Uralita to avoid qualifications to the audit report are mainly based on prior meetings held by the external auditors with the Audit Committee and the Company's internal audit department, for which they have all the necessary information submitted both by the CFO and all other executives so required. The purpose thereof is to prepare the final financial statements to avoid any qualifications by external auditors.

B.1.33 Is the Board Secretary a director?

Yes

No

B.1.34 Describe the procedures for appointment and removal of the Board Secretary, stating whether the appointment and removal are reported on by the Appointments Committee and approved by the full Board.

Appointment and removal procedure
<b>Neither the Company Bylaws nor the Board Regulations include a specific procedure to select, appoint and remove the Board Secretary. Given his/her key role for the Board's proper operation, and even despite the lack of a specific selection procedure, the Company tries to reinforce the Secretary's independence, impartiality and professionalism requesting, in practice, a previous report to the Appointments and Remuneration Committee for appointment as with directors.</b>

	Yes	No
Does the Appointment Committee report on the appointment?	<b>X</b>	
Does the Appointment Committee report on the removal?	<b>X</b>	
Is the appointment approved by the full Board?	<b>X</b>	
Is the removal approved by the full Board?	<b>X</b>	

Is the Board Secretary charged with the function of procuring, most especially, compliance with the good governance recommendations?

Yes

No

Remarks
-

B.1.35 Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditors, of financial analysts, of investment banks, and of rating agencies.

One of the Audit Committee's responsibilities is to supervise and maintain a relationship with external auditors to receive information on matters that may call the auditor's independence into question.

Uralita guarantees the professionals' views and recommendations transparency and independence. The Company's external auditor is Deloitte, S.L., a highly well-established company, so the fees paid by Uralita to this company represent a small percentage compared to its turnover.

Additionally, the audit firm's partner responsible for the work team shall be replaced every seven years.

Uralita maintains regular contact with the financial analysts in charge of value follow-up. These professionals are summoned to a meeting and the printed information provided to them is sent on the same day to the National Securities Market Commission, available on Uralita Group's website.

Uralita has not issued securities subject to qualification by any rating agency.

B.1.36 State whether the Company has changed its external auditor during the period. If so, identify the incoming and outgoing auditors:

Yes

No

Outgoing auditor	Incoming auditor
-	-

If there were disagreements with the outgoing auditor, describe the content of such differences:

Yes

No

Explanation of disagreements
-

B.1.37 Indicate whether the audit firm performs other non-audit work for the Company and/or its group and, if so, state the amount of fees received for such work and the percentage over the fees billed to the Company and/or its Group:

Yes

No

	Company	Group	Total
<b>Amount of other non-audit work (thousands of Euros)</b>	<b>24</b>	<b>284</b>	<b>308</b>
<b>Amount of other non-audit work/total amount billed by audit firm (as a %)</b>	70.58	38.4	39.8

B.1.38 State whether the audit report on the financial statements for the previous year contained reservations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes

No

Explanation of reasons
-

B.1.39. Indicate the number of years that the current audit firm has been uninterruptedly auditing the financial statements of the Company and/or the Group. Also indicate the number of years audited by the current audit firm as a percentage of the total number of years during which the financial statements have been audited:

	Company	Group
<b>Number of uninterrupted years</b>	<b>18</b>	<b>18</b>

	Company	Group
<b>Number of years audited by current firm/number of years the company has been audited (as a %)</b>	<b>100</b>	<b>100</b>

B.1.40 Indicate any ownership interests, disclosed to the Company, held by the members of the Company's Board of Directors in the capital of entities engaging in an activity that is identical, similar or complementary to the activity that constitutes the object of the Company or of its Group. Also indicate the positions they hold or the functions they discharge at these companies.

The Company has not been notified by Board members of any shareholding that they might have had or acquired during the 2008 period in the share capital of other entities engaging in an activity that is identical, similar or complementary to Uralita's activity or that of any of its Group companies.

Name or company name of director	Name of investee	% ownership interest	Position / functions
-	-	-	-

B.1.41 Indicate whether there is a procedure for directors to be able to receive outside advisory services:

Yes  No

Details of procedure
<p>Article 26 of the Board of Directors Regulations states that non-executive directors shall propose expert advice on legal, accounting, technical, financial, commercial or other matters at the Company's expense to be aided during furtherance of their duties. Such aid shall necessarily respond to specific problems of certain relevance and complexity in the furtherance of their duties. The decision to hire such expert advice shall be notified to the Chairman and approved by the Board, which shall only reject it when: (i) unnecessary for the full furtherance of the duties assigned to non-executive directors; (ii) the cost is unreasonable in relation to the importance of the problem and the Company assets or revenues; or (iii) the technical advice may be appropriately provided by Company experts or technicians.</p>

B.1.42 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance, and if so, give details:

Yes  No

Details of procedure
<p>Pursuant to Article 25 of Uralita's Board of Directors Regulations, the director has all the powers to request information on any aspect related to the Company, examine its books, records, documents and other background overview of company transactions and inspect all its facilities. The right to information extends to all its subsidiaries, whether national or foreign ones, and shall be channelled through the Chairman or Secretary of the Board of Directors, who shall process the directors' requests directly issuing the information, offering the corresponding contact individuals within the appropriate level of the organisation, or taking the necessary measures for the requested assessment or inspection on site.</p>

B.1.43 Indicate whether the Company has put forward rules that compel directors to disclose and, if applicable, resign in situations that may harm the Company's credit and reputation. If so, give details.

Yes  No

Describe the rules
In its adjustment to the good governance recommendations included in the Unified Code published by the National Securities Market Commission on 19 May 2006, the Company has modified Article 8 of the Board Regulations, which section 8.2.d states that directors shall submit their resignation to the Board of Directors and formalise the corresponding resignation when they might jeopardise the Company's interests or harm its name and reputation. Following this, at the moment a director is indicted or tried for any of the crimes stated in Article 124 of the Companies Law, 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/she should be called on to resign. In turn, pursuant to Article 23.3, the director shall notify the Company of any circumstance that might harm the organisation's name or reputation, with particular mention of any criminal charges brought against him/her and the progress of any subsequent trial.

B.1.44 State whether any Board member has advised the Company that he or she has been prosecuted or ordered to stand trial for any of the criminal offences referred to in Article 124 of the Companies Law:

Yes  No

Name of director	Criminal Case	Remarks
-	-	-

State whether the Board of Directors has analysed the case. If so, provide the rationale of such a decision as to whether or not the director should remain on the Board.

Yes  No

Adopted decision	Reasoned explanation
Applies / Does not apply	-

## B.2. Committees of the Board of Directors

B.2.1 Give details of all the committees of the Board of Directors and their members:

### AUDIT COMMITTEE

Name	Position	Type
Mr. Juan José Nieto Bueso	Chairman	Independent non-executive Director

Mr. José Antonio Carrascosa Ruiz	Member	Non-executive proprietary director
Atalaya Inversiones, S.R.L.	Member	Non-executive proprietary director

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
Ms. María Teresa Pulido Mendoza	Chairman	Independent non-executive Director
Caja de Ahorros de Salamanca y Soria	Member	Non-executive proprietary director
Mr. Javier González Ochoa	Member	Non-executive proprietary director

B.2.2 State whether the Audit Committee is responsible for the following functions:

	Yes	No
Supervise the preparation and the integrity of the financial information on the Company and, if applicable, the Group, reviewing compliance with the regulatory requirements, proper delimitation of the scope of consolidation and correct application of accounting policies.	X	
Conduct periodic reviews of risk management and internal control systems, so that the principal risks are adequately identified, managed and disclosed properly.	X	
Safeguard the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose that service's budget; receive periodic information on its activities; and verify that the conclusions and recommendations of its reports are taken into account by the top management.	X	
Establish and supervise a mechanism that allows employees to report the irregularities of potential importance, especially financial and accounting ones, that they detect inside the Company, confidentially and, if considered appropriate, anonymously.	X	
Bring before the Board proposals for selection, appointment, re-election and replacement of the external auditor, as well as the terms of the auditor's engagement.	X	
Regularly receive information on the audit plan and the results of its execution from the external auditor, and verify that the senior management takes into account its recommendations.	X	
Ensure the independence of the external auditor.	X	
In the case of groups, promote the Group auditor's assumption of responsibility for audits in the group companies.	X	

As part of the adaptation to good governance recommendations included in the Unified Code of Good Governance published by the National Securities Market Commission on 19 May 2006, Article 15.e) of the Board Regulations has been amended to include as Audit Committee's specific responsibilities one to establish and supervise a mechanism allowing employees to report any irregularities of potential importance –especially financial and accounting ones– they may detect within the Company, confidentially and, if appropriate, anonymously.

- B.2.3. Describe the rules of organisation and functioning, and the responsibilities attributed to each of the Board committees.

#### ***Audit Committee***

The Audit Committee consists of three directors, appointed by the Board of Directors through resolution adopted by the majority of its members. None of its members are executive directors.

Audit Committee members' office shall last (3) three years, unless their directorship expires earlier, in which case they may be re-elected indefinitely. Revocation of an Audit Committee member in office requires the favourable vote of two thirds of the Board.

The Chairman shall be appointed by the Committee among its members, who shall be an independent director, and replaced every (3) three years, being eligible for re-election after stepping down for one year. The Board of Directors Secretary may be appointed Committee Secretary.

Audit Committee meetings shall be summoned by the Chairman within fifteen days upon written request by two of its members.

During 2008, the Committee held (7) seven meetings, addressing matters of competence, namely: review of periodic information submitted to the National Securities Market Commission, review of financial statements after preparation by the Board of Directors, review of risk control systems, and definition and approval of an internal audit plan.

#### ***Appointments and Remuneration Committee***

The Appointments and Remuneration Committee consists of three directors, appointed pursuant to the Regulations, all of whom shall be non-executive directors.

The Committee shall appoint among its members the Chairman, who shall be an independent director. The Board of Directors Secretary may be appointed Committee Secretary.

During 2008, the Committee held four (4) meetings, addressing matters of competence, namely: review of Chairman's and Executive Committee's remuneration, approval of variable remuneration for 2007, and setting of objectives for 2008 in terms of variable remuneration and the abovesaid "2008 Uralita Group Delivery of Shares Plan".

B.2.4 Indicate, where appropriate, the advisory and consultative powers and any delegated authority held by each of the committees:

Committee	Brief description
<b>Audit Committee</b>	<p>The main responsibility of this Committee is the supervision of the Company and its Group control function. Particularly, the Committee shall also be responsible for: <b>(i)</b> Reporting the General Shareholders' Meeting about matters raised therein by shareholders. <b>(ii)</b> Propose to the Board of Directors, for submission to the General Shareholders' Meeting, external auditors appointment, regularly receive information about the audit plan from external auditors, and verify that senior executives address its recommendations. <b>(iii)</b> Supervise internal audit services' functional, organisational and operational aspects; safeguard the independence and effectiveness of the internal audit function; supervise the selection, appointment, re-election and removal of the head of the internal audit service; supervise the annual budget for this service; receive periodic information on its activities; verify that the conclusions and recommendations of its reports are taken into account by senior management; and review activity reports internal audit services prepared at the end of each fiscal year. <b>(iv)</b> Be aware of the financial information prepared on the Company and, where appropriate, the Group, and internal control systems and risk management, checking for compliance with legal provisions, the accurate demarcation of the consolidation scope, and the correct application of accounting principles. <b>(v)</b> Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities detected in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm. <b>(vi)</b> Maintaining relations with external auditors to gather information on matters that may call the auditor's independence into question, any other matters related to the auditing process, as well as any other disclosures established in accounting and auditing legislation and auditing standards.</p> <ul style="list-style-type: none"> <li>- The company should notify any change of auditor to the National Securities Market Commission as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.</li> <li>- 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.</li> <li>- The Committee should investigate the issues giving rise to the resignation of any external auditor.</li> <li>- In the case of groups, promote the group auditor's assumption of responsibility for audits in the group companies.</li> </ul> <p><b>(vii)</b> Propose to the Board of Directors as many matters as considered relevant to its scope of responsibility. <b>(viii)</b> Notify the Board about transactions with directors, significant shareholders, shareholders with Board representation or other persons related thereto. <b>(ix)</b> Be aware of Group's environmental audits. <b>(x)</b> Annually assess the performance of its responsibilities and functions and report to the Board about the most relevant aspects of such assessment.</p>
Appointments and Remuneration Committee	The Appointments and Remuneration Committee shall be responsible for: <b>(i)</b> Submitting to the Board directors'

	<p>appointment, re-election and removal proposals, as applicable, including the Secretary and, if appropriate, the Board's Vice-secretary. <b>(ii)</b> Proposing to the Board appointment of Committee members, pursuant to these Regulations. <b>(iii)</b> Proposing to the Board directors' annual remuneration system and amount. <b>(iv)</b> Submitting a report to the Board assessing the remuneration policy approved by the Board of Directors in each period and, if applicable, including the proposals considered relevant. <b>(v)</b> Approving annual remuneration payable for all direct and indirect concepts to Executive Team members, comprised of the Chairman, the Chief Executive Officer, if applicable, and other Group Executive Committee members, as well as establishing the basic conditions for the individual senior executive contracts. <b>(vi)</b> Annually assessing the performance in terms of responsibilities and functions of the Chairman of the Board and the Company's CEO, and reporting on the most relevant aspects of such assessment to the Board of Directors.</p> <p>The Committee shall also be responsible for:</p> <p><b>a)</b> Assessing competences, knowledge and experience required on the Board; define, consequently, candidates' necessary functions and skills to cover each vacancy and evaluating the time and dedication needed to properly perform their duties. <b>b)</b> Examining or organising, in appropriate form, the succession of the Chairman and Chief Executive, making recommendations to the Board so the handover occurs in a planned and orderly manner. <b>c)</b> Reporting on the senior officer appointments and removals proposed by the Chief Executive to the Board. <b>d)</b> Reporting to the Board on the gender diversity issues discussed in Article 7 of these Board Regulations. <b>e)</b> Ensuring compliance with the remuneration policy established by the Company.</p>
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**The Company has adjusted the powers of both Committees to the good governance recommendations included in the Unified Code published by the National Securities Market Commission on 19 May 2006, via amendments to articles 15 and 16 of the Board of Directors Regulations.**

B.2.5 Indicate, as appropriate, whether there are any regulations for the Board Committees; if so, indicate where they can be inquired and whether any amendments have been made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily.

**At 31 December 2008, the Committees have no internal regulations, though their organisation and operation are regulated pursuant to Company Bylaws and the Board of Directors Regulations. Company Bylaws and the Board of Directors Regulations are available at the Company's website ([www.uralita.com](http://www.uralita.com)).**

B.2.6 Indicate whether the composition of the executive committee reflects the participation of the various directors on the Board according to their status:

**The Company has no Executive Committee.**

Yes

No

If "no" explain the composition of the executive committee
-

## **C** - RELATED-PARTY TRANSACTIONS

C.1 State whether only the full Board can approve, upon a prior favourable report from the Audit Committee or some other committee charged with this function, the transactions carried out by the Company with directors, or with shareholders with significant holdings or represented on the Board, or with persons related thereto:

Yes

No

**Pursuant to Article 24 of the Board Regulations, the Board of Directors formally reserves the right to maintain confidential any Company transaction with a significant shareholder.**

C.2 Give details of material transactions entailing a transfer of funds or obligations between the Company or group companies and the significant shareholders of the Company:

Name or company name of significant shareholder	Company or group company name	Nature of relationship	Type of transaction	Amount (thousand Euros)
Caja de Ahorros de Salamanca y Soria	Uralita, S.A. and Group companies	Contractual	Granting of collaterals and guarantees	1,825
Caja de Ahorros de Salamanca y Soria	Uralita, S.A. and Group companies	Contractual	Current Account Loan Contract	4,015

C.3 Give details of material transactions entailing a transfer of funds or obligations between the Company or entities of its group and the Company's directors or executives:

**There have been no material transactions entailing a transfer of funds or obligations between the Company or entities of its group and the Company's directors or executives during 2008:**

Name or company name of directors or executives	Company or group company name	Nature of operation	Type of transaction	Amount (thousand Euros)
-	-	-	-	-

- C.4 Give details of material transactions by the Company with other companies of the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and are not conducted within the course of the Company's ordinary business, as regards their subject-matter or terms and conditions:

**The Company has not performed material transactions of this type.**

Name of Group company	Brief description of transaction	Amount (thousand Euros)
-	-	-

- C.5 State whether the members of the Board of Directors have at any time during the year found themselves in a conflict of interest pursuant to Article 127 under the Companies Law.

Yes  No

Name or company name of director	Description of the conflict of interest situation
-	-

- C.6 Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the Company and/or its Group and its directors, executives or significant shareholders.

**The Board of Directors is the body responsible for regulating, resolving and adopting the necessary preventive measures in the event of a conflict of interests.**

**Both the Board Regulations and the Internal Code of Conduct on securities market address mechanisms to regulate actions for such conflicts. The director shall, therefore, abstain from attending and intervening in any debate that may affect his/her matters of personal interest. In turn, anyone incurring for any reason in a conflict of interests shall report the Board Secretary sufficiently in advance so that the necessary measures can be taken. The Board Secretary shall notify said conflict of interests to the Chairman, who shall request the reports he/she might consider necessary and shall adopt the appropriate measures.**

In turn, according to the Regulations, in order to perform direct or indirect professional or commercial transactions with the Company, directors should report any conflict of interest to the Board of Directors so they can be authorised, upon prior report from the Appointments and Remuneration Committee.

During 2008, directors have not been involved in any conflict of interest as defined by the Board Regulations.

C.7 Is more than one company in the group publicly traded in Spain?

Yes

No

Identify the subsidiary companies that are listed in Spain:

Listed subsidiaries
-

State if the relevant areas of activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies have been defined publicly accurately:

Yes

No

Define any possible business relations between the parent company and the listed subsidiary, and between the latter and the other Group companies.
-

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

Mechanisms to resolve possible conflicts of interest
-

## **D** RISK CONTROL SYSTEMS

D.1 General description of the risk policy of the Company and/or its Group, giving details of and evaluating the risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk:

Uralita Group has implemented a risk management system known by the Audit Committee whereby critical risks in each of the business's key processes specified in the following section are systematically supervised and controlled.

D.2 State if any of the different types of risk affecting the Company and/or its Group (operational, technology, financial, legal, reputational, tax, etc.) have occurred during the fiscal year:

Yes  No

If so, describe the circumstances that gave rise to them and state whether the control systems in place functioned properly.

Risk materialised during the year	Circumstances giving rise to risk	Operation of control systems
Deterioration of the construction sector in Spain	Financial sector's lack of liquidity	-
Evolution of the EUR/other currencies exchange rate	Current world economic situation	-
Slight increase of customers' arrears	Financial sector's lack of liquidity	-

D.3 Indicate whether any committee or other governing body is responsible for establishing and overseeing these control mechanisms:

Yes  No

If so, give details of its functions.

Name of committee or body	Description of functions
<b>Internal Audit</b>	As risk manager, the Group's Internal Audit Committee is responsible for supervising risk control mechanisms, namely: (i) centralising and communicating all received information; (ii) system follow-up ensuring milestones are met; and (iii) setting up basic support tools.
<b>Risk Committee</b>	The Risk Committee, created in each division, in terms of risk management, is mainly responsible for: (i) supporting the implementation of a risk management system in the organisation; (ii) analysing and supervising coordinator and system's information; and (iii) establishing and implementing risk reduction measures.
<b>Global Risk Coordinator</b>	The Group's CFO is the Global Risk Coordinator. His/her main responsibilities are: (i) raising awareness in the Company about the importance of risk management; (ii) coordinating the different process areas and managers for risk identification; (iii) implementing measures to mitigate risks; and (iv) centralising and standardising information from each area or process manager.
<b>Audit Committee</b>	The Audit Committee is the ultimate responsible body for risk management process.

D.4 Identification and description of the procedures for compliance with the various regulations affecting the Company and/or its Group.

The main mechanisms that guarantee compliance with the different regulations affecting Group companies are based on the controls conducted by the various corporate areas:

On the one hand, Legal Advice is responsible for ensuring overall compliance with the legal requirements affecting the Group, establishing legal guidelines to align the organisational structure with the current legislation at all times.

On the other hand, Internal Audit is responsible for guaranteeing compliance with internal procedures and their adjustment to regulatory requirements, adapting the risk management system to the needs derived from the different regulations and their evolution.

## **F** GENERAL MEETING

E.1 State if there are differences with the quorum provisions of the Companies Law in respect of General Meetings. If so, give details.

Yes

No

Describe how they differ from the rules established in the Companies Law:

	% quorum different from the one set out in Article 102 of the Companies Law for general matters	% quorum different from the one set out in Article 103 of the Companies Law for special cases under Article. 103
Quorum required at 1st call	-	-
Quorum required at 2nd call	-	-

Description of changes
-

E.2 State if there are differences with the rules laid down in the Companies Law regarding the adoption of resolutions. If so, give details:

Yes

No

Describe how they differ from the rules established in the Companies Law:

	Reinforced majority other than the one established in Article 103.2 of the Companies Law for the cases contained in Article 103.1	Other cases for reinforced majority
% agreed by the Company for the adoption of resolutions	-	-
Description of changes		
-		

- E.3 List any rights of the shareholders in connection with General Meetings that differ from those contained in the Companies Law.

**The Company has not included shareholders' rights other than those established by the Companies Law for General Meetings.**

- E.4. Indicate the measures, if any, adopted to encourage participation by shareholders at General Meetings.

Article 28 of the Board Regulations states that the Board of Directors shall decide on the suitable means to be notified of the proposals submitted by shareholders in connection with the Company's management.

The Board of Directors shall foster shareholders' informed participation in General Meetings and shall implement any appropriate measure to facilitate the effective exercise of the General Shareholders' Meeting responsibilities pursuant to law and the Company Bylaws.

Particularly, the Board of Directors shall take the following steps:

- (i) Make its best efforts to report to shareholders prior to the General Meeting about all the information that may be required by law and everything that, though not legally required, might be of interest to them and reasonably submitted by it.
- (ii) Address, with due diligence, information requests submitted by shareholders prior to the Meeting.
- (iii) Answer, with due diligence, questions submitted by shareholders during the Meeting.

In turn, the Investors Relations Department helps both individual shareholders and institutional shareholders requiring information about the Company. Uralita's website has an "Investors' Relations" section in its homepage, with a contact person's information, telephone and fax number and e-mail address, annual financial statements, quarter and six-month reports and other relevant financial and stock information.

Remote electronic media for shareholders to exercise the right to vote was fully implemented and operational at the General Meeting of 22 June 2006. Only one shareholder used this system to vote at the General Shareholders' Meeting held on 17 May 2007, the only meeting convened during said period. No shareholder used this system to vote at the General Shareholders' Meeting held on 7 May 2008, the only meeting convened during said period.

- E.5 Indicate whether the Chairman of the Board of Directors chairs General Meetings. Give details of what measures, if any, are adopted to ensure the independence and correct functioning of the General Meeting:

Yes  No

Details of measures
The General Meeting of 26 May 2004 approved with full majority of the share capital present the General Shareholders' Meeting Regulations proposed by the Board of Directors. The Regulations offer shareholders a framework that guarantees and facilitates the exercise of their rights, established as a reference instrument for their informed participation in the Meetings. After approval, the final text of the Regulations was disclosed through notification to the National Securities Market Commission and was registered before the Madrid Mercantile Register, and posted to the Company's website. In all cases, the Chairman and the Secretary shall ensure that all Meetings are developed under full observance of shareholders' rights.

E.6 Indicate, as appropriate, any amendments introduced to the General Meeting Regulations during the year.

**Articles 5 and 19 of the General Shareholders' Meeting Regulations were amended upon the proposal of the Board of Directors, at the General Shareholders' Meeting held on 7 May 2008.**

E.7 Indicate the data on attendance at the General Meetings held in the year to which this report refers:

Attendance data					
Date of General Meeting	% attendance in person	% attendance by proxy	% by remote voting		Total
			Electronic vote	Other	
<b>7/05/2008</b>	84.675	6.227	-		90.902

E.8 Briefly indicate the resolutions adopted at the General Meetings held in the year to which this report refers and the percentage of votes with which each resolution was adopted.

**Uralita's General Meeting of 7 May 2008 was the only meeting held during 2008. The following resolutions were adopted at said Meeting:**

- **Approval of Company and its Consolidated Group's Financial Statements, relative to the year ended on 31 December 2007. This resolution was approved by 99.999% of the share capital present.**
- **Approval of dividend distribution for 0.43 Euros per share, 84.9 million Euros. This resolution was approved by 99.999% of the share capital present.**
- **Amend, upon prior report by directors, Article 19, paragraph 15 of the Company Bylaws. This resolution was approved by 99.997% of the share capital present.**

- Amend, upon prior report by directors, Article 22 of the Company Bylaws. This resolution was approved by 99.997% of the share capital present.
- Re-election and appointment of the following directors for a three-year term:
  1. Re-elect Mr. Javier Serratosa Luján as proprietary director. This resolution was approved by 99.943% of the share capital present.
  2. Re-elect Nefinsa S.A. as proprietary director. This resolution was approved by 99.943% of the share capital present.
  3. Re-elect Caja de Ahorros de Salamanca y Soria, Caja Dueño, as proprietary director. This resolution was approved by 99.943% of the share capital present.
  4. Re-elect Mr. José Antonio Carrascosa Ruiz as proprietary director. This resolution was approved by 99.943% of the share capital present.
  5. Re-elect Mr. Javier González Ochoa as proprietary director. This resolution was approved by 99.943% of the share capital present.
  6. Re-elect Mr. José Ignacio Olleros Piñero as executive director. This resolution was approved by 99.943% of the share capital present.
  7. Appoint Ms. María Teresa Pulido Mendoza as independent director. This resolution was approved by 99.943% of the share capital present.
  8. Appoint Ms. Mónica Vidal Sanz as independent director. This resolution was approved by 99.943% of the share capital present.
  9. Appoint Mr. Juan José Nieto Bueso as independent director. This resolution was approved by 99.943% of the share capital present.
- Appoint DELOITTE S.L. as the Company and its Consolidated Group's Financial Statements Auditors for 2008. This resolution was approved by 99.999% of the share capital present.
- Amend Article 5 of the General Meeting Regulations. This resolution was approved by 99.954% of the share capital present.
- Amend Article 19 of the General Meeting Regulations. This resolution was approved by 99.954% of the share capital present.
- Approve a delivery of shares plan in the medium term geared to Uralita Group's executive team. This resolution was approved by 99.997% of the share capital present.
- Establish the Board of Directors' maximum remuneration for 2008, pursuant to Article 27.2 of the Company Bylaws, in

1,500,000 Euros. This resolution was approved by 99.997 % of the share capital present.

- Authorise derivative acquisition of Uralita's treasury shares. This resolution was approved by 99.999 % of the share capital present.
- Grant powers to the Chairman and the Secretary of the Board of Directors to perform the necessary proceedings to implement the abovementioned resolutions. This resolution was approved by 99.999 % of the share capital present.

E.9 Indicate whether the bylaws contain any restriction establishing a minimum number of shares required to attend the General Meeting:

Yes  No

Number of shares required to attend a General Meeting	15
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E.10. Indicate and provide support for the policies followed by the Company with respect to proxy voting at General Meetings

During 2008, the Company's proxy voting system pursuant Article 106.1 of the Companies Law was in writing. Article 19 of the General Shareholders' Meeting Regulations puts forward the procedures for shareholder's proxy vote, including remote media to such end.

E.11. Indicate whether the company is aware of the policy of institutional investors on participating or not participating in the company's decisions:

Yes  NO

Describe policy
The Company's two main institutional shareholders i.e., Caja de Ahorros de Salamanca y Soria and Atalaya Inversiones, S.R.L., are involved in the Company's administration and management and are members of the organisations' Board of Directors, Audit Committee and Appointments and Remuneration Committee.

E.12 Indicate the URL and means of accessing corporate governance content on your website.

The corporate website ([www.uralita.com](http://www.uralita.com)) includes extensive and detailed financial and stock information, General Shareholders' Meetings and corporate governance information. Access is available at [www.uralita.com](http://www.uralita.com) and [group's general information](#).

With regard to the last point, all the necessary elements to observe shareholders' right to information and to disclose the relevant information, pursuant to Ministry of Economy Order 3722/2003, can be easily found and accessed directly through the home page. In other words, it includes, among others, Company Bylaws, Board of Directors Regulations, General Meeting Regulations, Internal Code of Conduct on securities market, information on past General Meetings during the year, a link to Investors' Relations, reports of significant event notified to the National Securities Market Commission, and this Annual Corporate Governance Report.

The content of the website currently responds to said Order and its application Circular, all the information on corporate governance being under the heading "Corporate Governance".

In turn, the Investors' Relations Department helps both individual shareholders and institutional shareholders requiring information about the Company. There is a section in the homepage of Uralita's website called "Contact us", indicating the Investors' Relations Department telephone and fax numbers and e-mail address for contact purposes.

In addition, the "Economic and Financial Information" section offers the quarterly and six-monthly reports and other financial documentation together with Company presentations to investors and analysts.

## **F** DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

State the extent to which the Company complies or fails to comply with Unified Code recommendations.

In the event of non-compliance with any of the recommendations, explain the recommendations, rules, practices or criteria applied by the Company.

**The Company has introduced in its corporate documents, mainly in the Board of Directors Regulations and the General Meeting Regulations, specific amendments necessary to adjust them to the good governance recommendations of the Unified Code published by the National Securities Market Commission of 19 May 2006 (i.e., articles and 4, 5, 7, 8, 9, 14, 15, 16, 23, 24, 27 and Repeal Provision of the Board of Directors Regulations, as well as articles 5 and 19 of the General Shareholders' Meeting Regulations, have been amended in 2008). Even though in practice most recommendations contained in said Unified Code are observed, as described in this section, the Company expressly intends to include such recommendations in its corporate documentation.**

1. The bylaws of listed companies should not place an upper limit on the 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.

Complies X      Explain

2. When a dominant and a subsidiary company are stock market listed, the two 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.

Complies  Partly complies  Explain  Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification, namely the following:

- a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries 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.

Complies  Partly complies  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.

Complies  Explain

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 bylaws, with votes taken on all articles or groups of articles that are materially different.

Complies  Partly complies  Explain

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Complies X 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.

Complies X Partly complies  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 Com-

pany's interests and corporate purpose. As such, the Board in full should reserve the right to approve:

- a) The Company's general policies and strategies, and in particular:
  - i) The strategic or business plan, as well as the annual management objectives and budgets;
  - ii) Investment and financing policy.
  - iii) Definition of the structure of the corporate group;
  - iv) Corporate governance policy;
  - v) Corporate social responsibility policy;
  - vi) Remuneration and performance evaluation policy for senior executives;
  - vii) Risk control and management policy and periodic monitoring of internal reporting and control systems.
  - viii) Dividend policy and treasury shares policy and, in particular, limits thereon.
- b) The following decisions :
  - i) At the proposal of the company's chief executive, the appointment and potential removal of senior executives, as well as their indemnity clauses.
  - ii) The remuneration of directors, as well as in the case of executive directors, the additional compensation for their executive functions and other conditions to be fulfilled by their contracts.
  - iii) The financial information listed companies must periodically disclose. Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
  - iv) The creation or acquisition of shares in 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 full Board.

Complies  Partly complies  Explain

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

Complies  Explain

10. External, proprietary and independent directors 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.

Complies  Partly complies  Explain

11. In the event that some non-executive director can be deemed neither proprietary nor independent, the Company should disclose this circumstance and the links that person maintains with the Company or its senior officers, or its shareholders.

Complies  Explain  Not applicable

12. That among non-executive directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by proprietary directors and the remainder of the Company's capital.

This proportional criterion can be relaxed so the weight of proprietary 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.

Complies  Explain

The number of independent directors (3) is higher than what would result from applying said rule of proportionality, inasmuch as proprietary directors (5) represent 89.303% of the Company's share capital.

13. The number of independent directors should represent at least one third of all Board members.

Complies  Explain

This recommendation is not observed since only three out of the twelve members of the Board of Directors are independent directors. In all cases, it should be noted that such breach results from the lack of relevant working capital, which eventually constitutes the rational justification for the independent directors' existence.

14. The nature of each director should be explained to the Shareholders' General Meeting, which will 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 Appointments Committee. The said Report should also disclose the reasons for the appointment of proprietary 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 proprietary directorship.

Complies  Partly complies  Explain

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 Appointments Committee should take steps to ensure that:

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

Complies  Partly complies  Explain  Not applicable

Two (2) women have been incorporated to the Company's Board of Directors in 2008, a trend the Company will foster in subsequent fiscal years.

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.

Complies  Partly complies  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 non-executive directors; and to lead the Board's evaluation of the Chairman.

Complies  Partly complies  Explain  Not applicable

18. The Secretary should 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 Bylaws and the Regulations of the General Shareholders' Meeting, the Board of Directors and others;
- c) Are informed by those 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 Appointments Committee and approved by a full Board meeting; and the relevant appointment and removal procedures being spelled out in the Board's regulations.

Complies  Partly complies  Explain

Article 14 of the Board Regulations does not include a specific procedure to select, appoint and remove the Board Secretary. Given his/her key role for the Board's proper operation, and even despite the lack of a specific selection procedure, the Company tries to reinforce the Secretary's independence, impartiality and professionalism requesting, in practice, a previous report to the Appointments and Remuneration Committee for appointment as with directors.

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.

Complies  Partly complies  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.

Complies  Partly complies  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 Board, the person expressing them can request that they be recorded in the minutes book.

Complies  Partly complies  Explain  Not applicable

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

- a) The quality and efficiency of the Board's operation.
- b) Starting from a report submitted by the Appointments Committee, how well the Chairman and Chief Executive have carried out their duties;
- c) The performance of its Committees on the basis of the reports furnished by the same.

Complies  Partly complies  Explain

23. All directors should 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 Board's Chairman or Secretary.

Complies  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.

Complies  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.

Complies  Partly complies  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 Appointments 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 Boards on which their Board members can take part.**

Complies       Partly complies       Explain

As a general rule, the Company demands its directors to devote sufficient time and effort to perform their duties effectively. The profile of appointed directors shall necessarily observe this requirement. Board members' level of responsibility and commitment is understood to be such that the implementation of measures with a bearing on this principle has not been necessary. Board Regulations do not, therefore, include a restriction on the number of directorships Uralita's directors may hold.

Pursuant to Article 23.2 of the Board Regulations, directors shall notify the Company of their jobs and activities performed in other companies or entities provided they may be relevant to their position as Company directors.

**27. The proposal for the appointment or renewal of directors which the Board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the Board:**

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

Complies       Partly complies       Explain

**28. Companies should post the following director particulars on their websites, and keep them permanently updated:**

- a) **Professional experience and background.**
- b) **Directorships held in other companies, listed or otherwise;**
- c) **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.**

Complies       Partly complies       Explain

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

Complies       Explain

**30. Proprietary 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 proprietary directors, the latter's number should be reduced accordingly.**

Complies       Partly complies       Explain

**31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just**

cause is found by the board, based on a proposal from the Appointments 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.

Complies X Explain

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 or tried for any of the crimes stated in Article 124 of the Companies Law, 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 also disclose all such determinations in the Annual Corporate Governance Report.

Complies  Partly complies  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 terms of this Recommendation should also apply to the Secretary of the Board; director or otherwise.

Complies X Partly complies  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.

Complies  Partly complies  Explain  Not applicable

35. The Company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

- a) Amount of fixed components, with an itemisation, where applicable, of fees for participation at the meetings of the Board and its Committees and an estimate of the annual fixed remuneration derived therefrom;
- b) Variable remuneration components, including:

- 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 assumptions .
- 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 period; and
  - 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 company and executive director.

Complies  Partly complies  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 of pension schemes should 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.

Complies  Explain

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

Complies  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.

Complies  Explain  Not applicable

39. In the case of variable remunerations, 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 or circumstances of this kind.

Complies  Explain  Not applicable

40. The board should submit a report on the directors’ remuneration policy to the advisory vote of the General Shareholders’ Meeting, as a separate point on the

agenda. This report can be supplied to shareholders separately or in the manner the company sees fit.

The report will 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 35, except those potentially entailing the disclosure of commercially sensitive information. It will 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 remuneration policy should be reported to the Meeting, along with the identity of any external advisors engaged.

Complies  Partly complies  Explain

The Company's Board of Directors approved for the first time in 2008, and shall approve again in 2009, a report on Directors' remuneration policy submitted for information purposes to the General shareholders' Meeting. Said report describes the remuneration policy pursuant to the aforementioned recommendation 35.

41. The notes to the annual accounts should list individual directors' remuneration 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 accounted 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 execution;

- 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 year end, 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.

Complies  Partly complies  Explain

The Annual Report includes information on the remuneration issues indicated in this recommendation, although globally reported by remuneration item pursuant to Article 200 of the Companies Law. In accordance with good corporate governance recommendations under the Unified Code, the Annual Report introduces an itemised breakdown of the amounts corresponding to bylaw remuneration received by each director in the furtherance of joint supervision and decision-making responsibilities specific of his/her office as director acting in the Board and its Committees, as well as additional information on remuneration by director category. However, remuneration corresponding to executive directors performing senior management duties is not itemised, as the relevant information for shareholders and the market in general refers to the remuneration cost of the executive team and not necessarily to the individual remuneration paid to each of them.

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.

Complies  Partly complies  Explain  Not applicable

43. The Board should 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.

Complies  Explain  Not applicable

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 Appointment and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the Appointment and Remuneration committee or committees should be set forth in the Board Regulations, and include the following:

- a) The Board of Directors should appoint the members of such 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 full Board following each meeting;
- b) These committees should be formed exclusively of non-executive 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) Minutes of meeting proceedings should be drawn up and a copy sent to all Board members.

Complies  Partly complies  Explain

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance Committees.

Complies  Explain

The Board Regulations do not expressly include the Audit Committee or the Appointments and Remuneration Committee obligation to supervise matters addressed by this recommendation although, in practice, the Audit Committee reviews and controls compliance with the internal code of conduct and corporate governance rules. Additionally, pursuant to Article 14.3 of the Board Regulations, the Secretary shall guarantee and supervise compliance with the rules of good governance.

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

Complies  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.

Complies  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.

Complies  Partly complies  Explain

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

- a) The different types of risk that affect the Company (operational, technology, financial, legal, reputational, tax, etc) 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.

Complies  Partly complies  Explain

50. The Audit Committee's role should be:

- 1 With respect to internal control and reporting systems:

- a) Supervise the preparation and the integrity of the financial information on the company and, if applicable, the group, reviewing compliance with the regulatory requirements, proper delimitation of the scope of consolidation and correct application of accounting policies.
- b) Conduct periodic reviews of risk management and internal control systems, so that the principal risks are adequately identified, managed and disclosed properly.
- 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 that service's budget; receive periodic information on its activities; and verify that senior management are acting on the findings and recommendations of 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) Bring before the Board proposals for selection, appointment, re-election and replacement of the external auditor, as well as the terms of the auditor's engagement.
- b) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management is 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 National Securities Market Commission 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, promote the Group auditor's assumption of responsibility for audits in the group companies.

Complies X      Partly complies       Explain

51. The Audit Committee should be empowered to meet with any Company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies X      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 listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the sa-

me 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 jurisdictions 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.

Complies  Partly complies  Explain

53. The Board of Directors should seek to present the annual accounts to 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.

Complies  Partly complies  Explain

54. The majority of Appointment Committee members –or Appointment and Remuneration Committee members, as the case may be– should be independent directors.

Complies  Explain  Not applicable

Currently, the Appointments and Remuneration committee consists of Ms. María Teresa Pulido Mendoza (independent director), Caja de Ahorros de Salamanca y Soria (proprietary director) and Mr. Javier González Ochoa (proprietary director). Mr. Javier González Ochoa was appointed member of the Appointments and Remuneration Committee to replace Nefinsa, and was notified to the National Securities Market Commission as a report of significant event on 29 March 2007.

In view of the foregoing, this recommendation is not observed since two of the three members of the Appointments and Remuneration Committee are proprietary directors. It should be noted that such breach results from the lack of relevant working capital, which eventually constitutes the rational justification thereof, not only within the Board but also within the Committees. .

55. The Appointment 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 officer 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.

Complies  Partly complies  Explain  Not applicable

56. The Appointment 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 Appointment Committee for its consideration.

Complies  Partly complies  Explain  Not applicable

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

a) Propose to the Board of Directors:

- 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.

Complies X Partly complies  Explain  Not applicable

58. The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to executive directors and senior officers.

Complies X Explain  Not applicable

## **G** OTHER INFORMATION OF INTEREST

If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report, indicate and explain below.

This section can include any other information, clarification or qualification relating to the previous sections of the report.

In particular, indicate whether the Company is subject to any legislation other than the Spanish law on corporate governance and, if so, include any mandatory information different from the one required for the purposes of this Report.

### **Binding definition of Independent Director:**

State whether any Independent Director has or has had a relation with the Company, its significant shareholders or its executives that, had it been sufficiently significant or important, would have prevented the Director from being considered independent according to section 5 of the Unified Code on good governance:

Yes  No X

Name of director	Type of relationship	Explanation
-	-	-

**This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on 25 March 2009.**

**State if there have been any Directors who have voted against or have abstained from the approval of this Report.**

Yes

No

Name or company name of director voting against this report	Reasons (against, abstention, non-attendance)	Explain reasons
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>