

ANNUAL CORPORATE GOVERNANCE REPORT FOR URALITA, S.A.

For a better understanding of the model and subsequent preparation of the report, please read the instructions at the end before filling it out. The column corresponding to CIF, (Tax Identification Code), NIF (Tax Identification Number) or the like, which shall not be of public domain, shall always be filled in when required to complete individual or legal entities data:

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	13,166,654

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 2010 there are no Company significant direct or indirect shareholders other than Company Directors.

Name of the 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	Description of the transaction
-	-	-

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
Nefinsa, S.A.	10,409,730	-	79.061
Caja España de Inversiones, Salamanca y Soria	690,383	-	5.243
Atalaya Inversiones, S.R.L.	658,333	-	5.000
MR. Jorge Alarcón Alejandro	714	-	0.005
MR. Jose Antonio Carrascosa Ruiz	114	-	0.000865
MR. Javier Gonzalez Ochoa	114	-	0.000865
MR. Jose Ignacio Olleros Piñero	114	-	0.000865

(*) 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	89.3115
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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 options	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 España de Inversiones, Salamanca y Soria	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 España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad	Contractual	Guaranteed lines coverage contract up to € 3,000,000 with no set maturity date, of which € 1,846,000 have been executed.
Caja de España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad	Contractual	Current account credit contract up to € 3,000,000 executed on 11/12/2008 and not used at 31/12/2010
Caja de España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad	Contractual	Interest in the amount of € 10,000,000 in a syndicated loan for € 120,000,000 granted to Uralita, S.A. in 2009 by a syndicate of Spanish banks.

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. 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	79.06	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	79.06	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.

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, D. Javier Serratosa Luján, D. Gonzalo Serratosa Luján and Nefinsa, S.A.	79.06	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. The union shareholder also holding directorship undertakes the responsibility to perform his/her duties pursuant to the instructions issued by

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

During the fiscal year ended on 31 December 2010 there has no been any amendment or termination of such agreements.

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
Nefinsa, S.A

Comments
Nefinsa, S.A. holds direct ownership of 79.06% of Uralita's voting rights.

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

During 2010, Uralita performed the following transactions with treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	total % on share capital
9,177,972	-	4.65

(*) 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
14/04/2010	7,438,348	-	3.766%

Gains / (Losses) from treasury shares sold during the period.	0 €
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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 13 May 2009 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 abovementioned 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 7 May 2008 by virtue thereof.

This power may be exercised up to a limit of 10% and for a 5-year term as of 4 July 2009 when Law 3/2009 of 3 April became effective and whereby Article 75 of the Consolidated Companies Law, among others, was amended.

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 restriction in the bylaws	15
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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
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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 bylaws:**

Maximum number of directors	20
Minimum number of directors	3

B.1.2 Fill out the following table with 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 España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad *	MR. Julio Feroso García	Director	17/11/2010	17/11/2010	By cooption Board of Directors
Atalaya Inversiones, S.L.	MR. Francisco García Peña	Director	19/06/2001	22/06/2006	Annual General Meeting
MR. Juan José Nieto Bueso	-	Director	07/05/2008	07/05/2008	Annual General Meeting
MS. María Teresa Pulido Mendoza	-	Director	07/05/2008	07/05/2008	Annual General Meeting
MS. Mónica Vidal Sanz	-	Director	07/05/2008	07/05/2008	Annual General Meeting
MR. José Antonio Carrascosa Ruiz	-	Director	10/12/2002	07/05/2008	Annual General Meeting
MR. Javier González Ochoa	-	Director and Secretary	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. Jorge Alarcón Alejandro	-	Director	22/06/2006	22/06/2006	Annual General Meeting

Total number of directors	11
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**The merger of the entities Caja España and Caja Duero has resulted in the entity Caja España de Inversiones, Salamanca y Soria, which has been appointed a Board member through cooption.*

Indicate any removals of directors during the year:

Name or company name of	Director's condition upon	Date of
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director	termination	termination
Álvaro Rodríguez-Solano Romero	Executive director	22/09/2010

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 per Company organisation chart
MR. Javier Serratosa Luján	Appointments and Remuneration Committee Meeting 25/03/2008	Executive Director
MR. Jorge Alarcón Alejandre	Appointments and Remuneration Committee Meeting 27/03/2006	Planning and Development Corporate Director
MR. José Ignacio Olleros Piñero	Appointments and Remuneration Committee Meeting 25/03/2008	Chief Financial Executive

Total number of executive directors	3
Total % of the Board	27.27

NON-EXECUTIVE PROPRIETARY DIRECTORS

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

Total number of proprietary directors	5
Total % of the Board	45.45

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name or company name of director	Profile
MS. María Teresa Pulido Mendoza	Member of Uralita's Board of Directors since May 2008. She has a B.A. in Economics

	<p>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.</p>
MS. Mónica Vidal Sanz	<p>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.</p>
MR. Juan José Nieto Bueso	<p>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.</p>

Total number of proprietary directors	3
Total % of the Board	27.27

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	Reason	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 2010.

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%:

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:

Director Álvaro Rodríguez-Solano Romero submitted his resignation for personal reasons on 22 September 2010.

Name of the Director	Reason for exit
MR. Álvaro Rodríguez-Solano Romero	Personal

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 chief executive officer. 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
MR. José Ignacio Olleros Piñero	Uralita Holding, B.V	Administrator
MR. José Ignacio Olleros Piñero	Uralita, B.V	Administrator
MR. José Ignacio Olleros Piñero	Chamberí Reinsurance, S.A.	Administrator
MR. Javier Serratosa Luján	Ursa Internacional GmbH	Administrator

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
MR. Juan José Nieto Bueso	Service Point Solutions, S.A	Chairman

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	
Remuneration 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 Euro 20 million, as well as the transfer of assets exceeding such amount, excluding Group Company's operating 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
Fixed remuneration	1,241
Variable remuneration	265
Attendance fees	-
Bylaw-stipulated directors' emoluments	216
Share options and/or other financial instruments	-
Other	-
TOTAL:	1,722

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	-

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
Fixed remuneration	-
Variable remuneration	-
Attendance fees	-
Bylaw-stipulated directors' emoluments	-
Share options and/or other financial instruments	-
Other	-
TOTAL:	-

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	1,506	-
Non-executive proprietary directors		-
Independent non-executive directors	216	-
Other non-executive directors	-	-
Total	1,722	-

*Data in thousands of Euros

d) With respect to profit attributable to the parent company:

Total directors' remuneration (thousands of Euros)	1,722
Total directors' remuneration/ profit attributable to the Parent (expressed as %)	285

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.
Ms. Carmen del Río Novo	Corporate Manager of Asesoría Jurídica Uralita, S.A.
MR. José Luis Pozo Palomares	General Manager of Uralita Iberia S.L.

Total remuneration of senior executives (thousand Euros)	919
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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.
Article 27 of the Company Bylaws regarding Board remuneration

states the procedure and form of remuneration for its members.

The abovementioned article states that the members of the Board of Directors shall collect, in aggregate, a remuneration tantamount to 2% over the year consolidated profit attributable to the company after due compliance with the provisions set out in Articles 217.1 and 217 of the Capital Companies Law. The Board shall be entitled not to apply all such percentage of profit interest in those years when it may deem it suitable.

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.

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.

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 219 of the Companies Law.

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.

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

Such powers are expressly stated in Art. 4 of the Board Regulations.

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 year. 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
The Company's Board of Directors will approve this year a report on Board members Remuneration Policy corresponding to the 2010 fiscal year, which shall be submitted to the General Shareholders' Meeting for information purposes.

Remuneration Committee's role
The Appointments and Remuneration Committee has previously examined and approved the 2010 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.

	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.	Chairman Chief Executive Officer
MR. José Antonio Carrascosa Ruiz	Nefinsa, S.A.	Chief Financial Officer
MR. Javier González Ochoa	Nefinsa, S.A.	General Secretary

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 X
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Description of changes

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 skills, 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.
- (d) When they jeopardise Company 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 213 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

Measures to limit risks
<p>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.</p>

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
<p>Article 9.1 of the Board Regulations states that when the Chairman of the Board of Directors is the Company's Chief Executive, any of the</p>

independent directors shall be able to request the Board's summoning.

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
Casting vote applies to all matters

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

Maximum term of office (years)	12
--------------------------------	----

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.

Description of the reasons and initiatives
-

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	6
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	5
Number of Appointments and Remuneration Committee meetings	2

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	2
% non-attendance on total votes during the period	2.8

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 and 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.

Procedure for appointment and removal
--

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.

	Yes	No
¿Does the Appointment Committee report on the appointment?	X	
Does the Appointment Committee report on the removal?	X	
Is the appointment approved by the full Board?	X	
Is the removal approved by the full Board?	X	

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

Yes

No

Comments
-

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., 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
Amount of other non-audit work (thousands of Euros)	28	9	37
Amount of other non-audit work/total amount billed by audit firm (as a %)	45.90	1.60	5.92

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
Number of uninterrupted years	21	21

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

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.

Based upon the notifications served to the Company by the directors in this respect, it is concluded that during the 2010 period they held no interest whatsoever in any entities involved in activities identical, analogous or complementary to Uralita's corporate purpose or the corporate purpose of any of the Group's 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 the procedure
Article 26 of the Board of Directors Regulations states that non-executive directors shall propose the hiring of 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 experts or technicians.

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 the procedure

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 also affects subsidiary companies, whether Spanish or foreign ones. 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.

Upon summoning a Board meeting, the Secretary submits the documentation relative to each meeting's agenda sufficiently in advance.

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

Article 8.2.d) of the Board Regulations states that the Directors shall tender their resignation to the Board of Directors and formalise the corresponding resignation when it can jeopardise the Company's best interest or damage its name and reputation. Following this, at the moment a director is indicted or tried for any of the crimes stated in Article 213 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 213 of the Companies Law:

Yes No

Name of the Director	Criminal Case	Comments
-	-	-

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, SRL	Member	Non-executive proprietary director

The Board of Directors Secretary plays the role of Committee Secretary.

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
MS. María Teresa Pulido Mendoza.	Chairman	Independent non-executive director
Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad	Member	Non-executive proprietary director
MR. Javier González Ochoa	Member	Non-executive proprietary director

The Board of Directors Secretary plays the role of Committee Secretary.

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.	<u>X</u>	
Conduct periodic reviews of risk management and internal control systems, so that the principal risks are adequately identified, managed and disclosed properly	<u>X</u>	
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 senior management.	<u>X</u>	
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.	<u>X</u>	
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.	<u>X</u>	
Regularly receive information on the audit plan and the results of its execution from the external auditor, and verify that the top management takes into account its recommendations.	<u>X</u>	
Ensure the independence of the external auditor.	<u>X</u>	
In the case of groups, promote the Group auditor's assumption of responsibility for audits in the group companies.	<u>X</u>	

Art. 15.e) of Regulations states as Audit Committee's specific task to 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.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 2010, the Committee held (5) 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, relationship with auditors to review the 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 2010, the Committee held two (2) meetings, addressing matters of competence, namely: Setting and review of the Chairman's remuneration and review of the remuneration of the Executive Committee's members proposed by the Chairman, report on the Board's remuneration and the resignation of a Director.

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

Committee	Brief description
Audit Committee	<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: (i) Reporting the General Shareholders' Meeting about matters raised therein by shareholders. (ii) 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. (iii) 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</p>

	<p>are taken into account by senior management; and review activity reports internal audit services prepared at the end of each fiscal year. (iv) 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. (v) 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. (vi) 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 and, to that end:</p>
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	<ul style="list-style-type: none"> -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. - 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. - The Committee should investigate the issues giving rise to the resignation of any external auditor. - The Committee should investigate the issues giving rise to the resignation of any external auditor. <p>(vii) Propose to the Board of Directors as many matters as considered relevant to its scope of responsibility. (viii) Notify the Board about transactions with directors, significant shareholders, shareholders with Board representation or other persons related thereto. (ix) Be aware of Group's environmental audits. (x) Annually assess the performance of its responsibilities and functions and report to the Board about the most relevant aspects of such assessment.</p>
<p>Appointments and Remuneration Committee</p>	<p>The Appointments and Remuneration Committee shall be responsible for:</p> <ul style="list-style-type: none"> (i) Submitting to the Board directors' appointment, re-election and removal proposals, as applicable, including the Secretary and, if appropriate, the Board's Vice-secretary. (ii) Proposing to the Board appointment of Committee members, pursuant to these Regulations. (iii) Proposing to the Board directors' annual remuneration system and amount. (iv) 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. (v)

	<p>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. (vi) 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> <ul style="list-style-type: none"> a) 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) 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. c) Reporting on the senior officer appointments and removals proposed by the Chief Executive to the Board. d) Reporting to the Board on the gender diversity issues discussed in Article 7 of these Board Regulations. e) Ensuring compliance with the remuneration policy established by the Company.
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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 2010, 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). A report on each Committee's activity is not prepared on a yearly basis.

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 negative, explain the Executive Committee's composition
-

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 Provide 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 directors or executives	Company or group company name	Nature of transaction	Type of transaction	Amount (thousand euro)
-	-	-	-	-

C.3 Provide 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:

Name or company name of significant shareholder	Company or group company name	Nature of relationship	Type of transaction	Amount (thousand euro)
Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad	Uralita, S.A. and Group companies	Contractual	Granting of collaterals and guarantees	1,846
Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad	Uralita, S.A. and Group companies	Contractual	Credit in current account	3,000

Caja Espa ña de Inver sione s, Sala man ca y Soria , Caja de Ahor ros y Mon te de Pied ad	Uralita, S.A. and Gro up com pani es	Contra ctu al	Interest in syndic ated loan	10,000
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C.4 Provide 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 the group company	Brief description of the transaction	Amount (thousand euro)
-	-	-

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 229.1 under the Companies Law.

Yes

No

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

C.6. Provide 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 2010, 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 listed 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.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	-

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
Internal Audit	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.
Risk Committee	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.
Global Risk Coordinator	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.
Audit Committee	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.

E 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 than that established under Article 193 SCA for general	% quorum different than that established under Article. 194 of the Companies Law for special

	cases	cases under Article. 194
Quorum required at 1st call	0	0
Quorum required at 2nd call	0	0

Description of the differences
-

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 201 of the Companies Law for the cases contained in Article 201	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.

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

Yes

No

Details of measures
<p>The General Meeting of 26 May 2004 approved with full majority of the attending share capital 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.</p>

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

In 2010 there have been no changes in the General Shareholders' Meeting Regulations.

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

Date of General Meeting	Attendance data				Total
	% attendance in person	% attendance by proxy	% by remote voting		
			Electronic vote	Other	
12/05/2010	84.58	0.64	-		85.22

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 12 May 2010 was the only meeting held during 2010. At said meeting, the following resolutions were adopted, all of them with the favourable vote of 84.58% of the share capital:

1. Approve the Financial Statements of Uralita, S.A. and of its Consolidated Group, as well as the proposal for the year's profit and dividend distribution, the Directors Report, which includes the Report on Article 116 bis of the Securities Market Law and the Annual Report on Corporate Governance and Corporate Management corresponding to the fiscal year ending on 31 December 2009.

2. Appoint DELOITTE S.L. as the Company and its Consolidated Group's Financial Statements Auditors for 2010, the former being of Spanish nationality, domiciled in Madrid, at Torre Picasso, Plaza Pablo Ruiz Picasso s/nº, and holder of Tax Identification Number (NIF) B-79104469.

3. Authorise the Chairman, Mr. Javier Serratosa Luján, and the Director-Secretary, Mr. Álvaro Rodríguez-Solano Romero, in the broadest terms, so that either one, indistinctly, and acting in the name and on behalf of the Company, can carry out as many acts as deemed necessary or appropriate for the execution, performance, effectiveness and fulfilment of said resolutions and, particularly, to clarify, specify and complete said resolutions as per the terms deemed necessary or convenient, and to resolve any doubt or obstacles that may arise, redressing and completing all the defects or omissions that may hinder or refrain their effectiveness, signing as many public or private instruments and taking as many steps as may be required for the fulfilment of the abovementioned resolutions.

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 2010, the Company's proxy voting system pursuant Article 184 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 proxy of remote vote through electronic means. No shareholder used this system to vote at the General Shareholders' Meeting held on 12 May 2010.

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 España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad, are both involved in the Company's administration and management and are members of the Company's 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) includes extensive and detailed financial and stock information, General Shareholders' Meetings and corporate governance information. Access is available at www.uralita.com and [group 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 material disclosure 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 of Good Governance 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 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.**

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

Complies 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.**

See subsection: C.4 and C.7

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.**

See subsection E.8.

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.**

See subsection E.4.

Complies 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 economic value over time.**

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

Complies 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 Company'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.

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

b) The following decisions :

- i) At the proposal of the Company's chief executive, the appointment and possible removal of senior executives, as well as their indemnity clauses. See subsection: B.1.14.
- 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. See subsection: B.1.14.
- 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 by the Board 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.

See subsections: C.1. and C.6.

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.

See subsection B.1.1.

Complies Explain

10. External, proprietary and independent directors should occupy a broad majority of Board places, while the number of executive directors should be the minimum practical, bearing in mind the complexity of the corporate group and the ownership interests they control.

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

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.

See subsections: B.1.3.

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

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

Complies Explain

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

See subsection B.1.3.

Complies Explain

Out of the eleven members of the Board of Directors, three of them are independent directors. Independent directors, at any rate, represent a percentage considerably higher than the Company's free float.

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.

See subsections: B.1.3 and B.1.4.

Complies Partly complies Explain

15. When female 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.**

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

Complies Partly complies Explain Not applicable

Two (2) women joined the Company's Board of Directors during the 2008 period.

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

See subsection B.1.42.

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 issues 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.

See subsection B.1.21.

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.

See subsection B.1.34.

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.

See subsection B.1.29.

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.

See subsections: B.1.28. and B.1.30.

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.

See subsection B.1.19.

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 Bylaws or Board

Regulations indicate otherwise, such requests should be addressed to the Board's Chairman or Secretary.

See subsection B.1.42.

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.

See subsection B.1.41.

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.

See subsections: B.1.8., B.1.9. and B.1.27.

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.

See subsection B.1.2.

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.

See subsection B.1.2.

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.

See subsections: A.2. A.3. and B.1.2.

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.

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

Complies 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 213 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.

See subsections: B.1.43 and B.1.44.

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 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.

See subsection B.1.5.

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 or termination of the contractual relation between company and executive director.

See subsection B.1.15.

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.

See Subsections: A.3. and B.1.3.

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.

See subsection B.1.16.

Complies Partly complies Explain

The Company's Board of Directors approved in 2008 and 2009, and shall approve again in 2010, 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 said year between the remuneration obtained by executive directors and the Company's profits, or some other measure of Company performance.**

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 260 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.

See Subsections: B.2.1. and B.2.6.

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, with the Committees' members specific agreement.
- 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.

See subsections B.2.1. and B.2.3.

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.**

See subsections: D.

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 are acting on its recommendations.
- c) Monitor the independence of the external auditor, to which end:
 - i) The Company should notify any change of auditor to the 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.

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

Complies 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 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 same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

- b) **The creation or acquisition of shares in special purpose vehicles or entities resident in 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.**

See subsections B.2.2. and B.2.3.

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.

See subsection B.1.38.

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.

See subsection B.2.1.

Complies Explain Not applicable

Currently, the Appointments and Remuneration committee consists of Ms. María Teresa Pulido Mendoza (independent director), Caja España de Inversiones, Salamanca y Soria (proprietary director) and Mr. Javier González Ochoa (proprietary director).

Even though the recommendation that the majority of the members of the Appointment and Remuneration Committee be independent is not observed, the Company's Chairmanship is exercised by an independent member.

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.**

See subsection B.2.3.

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.

See subsections: B.1.14 and B.2.3.

Complies 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 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

Name of the Director	Type of relationship	Explanation
-	-	-

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on 23 March 2011.

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

Yes []

NO [X]

Name or company name of director voting against this report	Reasons (against, abstention, non-attendance)	Explain reasons