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The General Meeting registered a quorum of 77.2% with all proposals being approved by an average 99.4% of the vote

Iberdrola shareholders overwhelmingly endorse Chairman Ignacio Galán's management at the helm of the company

- The good results have allowed the Board to propose a remuneration against 2016 earnings of €0.31 gross per share, an increase of nearly 11% from the previous year
- Galán highlighted the company's business model which focuses on: more renewables, more storage, more and smarter grids and new customer solutions in countries with solid economies or growth potential, such as Mexico where, by 2020, the group's production is expected to overtake that of its business in Spain
- The company continues to generate wealth through its social dividend: i.e. 288,000 jobs worldwide, purchases from 18,000 suppliers for a record amount of €9.88 billion, annual tax contribution of 5.8 billion euros, €211 million invested in R&D&I, its commitment to gender equality, and the support of culture and the arts
- The upward revision of 2016-2020 Outlook will enable shareholder return to reach €0.40 gross per share by the end of 2020, a 30% increase over the past year

Corporate governance

- The group reforms its by-laws to include its commitment to social dividend and the company's mission, vision and values
- The Company, recognised by the Ethisphere Institute as one of the world's most ethical companies for the fourth consecutive year is at the forefront of corporate governance



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Iberdrola today held its General Shareholders' Meeting at the Euskalduna auditorium in Bilbao with Chairman Ignacio Galán receiving the overwhelming support of the company's shareholders for his management at the helm of the group.

The Meeting, which saw 77.2% of the Iberdrola share capital represented, approved by an average of 99.4% of votes all resolution proposals included in the agenda.

During his speech to a packed assembly hall, Ignacio Galán reviewed the group's performance throughout 2016.

With net profit of €2.7 billion, nearly 12% over the previous year, and gross investment of €5 billion, the company has exceeded targets set for the 2014-2016 period with average annual net profit growing at almost 8% –twice as much as projected– and exceeding the initial target by close to €200 million.

These results have allowed the group's Board of Directors to propose an increase in shareholder remuneration of about 11% (from the amount pledged for 2015) to €0.31 per share. Also, all shareholders present at today's General Meeting will receive an attendance premium of €0.005 gross per share.

"These positive results have allowed us to offer you all a growing return over the past three years, which together with the share price performance, make total shareholder return over the period stand at 55%, significantly higher than the 14% of the Eurostoxx Utilities Index and 7% of the Ibex 35", said Ignacio Galán. Ever since the February update of the company's strategic outlook for 2016-2020, Iberdrola's stake has gained 9% in value.

Social dividend: generating wealth

The Chairman of Iberdrola dedicated part of his speech to describe the social dividend which the company distributes to communities in the regions where it operates, in the form of generating stable and quality jobs, through purchases from the entire supply chain, tax contributions, emissions reduction, its commitment to innovation and gender equality, fostering culture and the arts, and the inclusion of groups at risk of social exclusion.



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Ignacio Galán thus reminded Iberdrola shareholders that company activities generate 288,000 jobs worldwide¹ and that the group has brought 2,638 people into its team during 2016.

"We have continued to provide training to our staff, which was further boosted with the opening of the Iberdrola campus. This commitment to education has been extended to the rest of society, through our *International Scholarship Program and Research Grants* which have helped about 700 young people complete postgraduate studies and doctorate degrees at international universities" added Galán.

The company Chairman also stated that, in 2016, Iberdrola made purchases from 18,000 suppliers for a record amount of €9.8 billion. In addition, company tax contributions amounted to €5.8 billion, of which €3.5 billion were collected by the Spanish tax authority.

Iberdrola has also continued to make progress in reducing specific emissions, which have fallen by 31% in the last five years and by 75% since 2000. In this regard, the company aims to be carbon neutral by 2050.

Another issue that Ignacio Galán gave special attention to was innovation, an area where Iberdrola invested €211 million last year alone. This commitment to R&D&I has turned the company into a leading world player in the electricity sector.

The social dividend was also cemented by progress on the *Electricity for all* programme – which has succeeded in providing access to electricity to 2.5 million people previously lacking it– and through *Universo Mujer*, the first initiative by a Spanish company to make a global commitment to promote the participation of women in sports.

Culture and the arts also featured prominently in 2016, with new projects being funded in institutions such as the National Museums of Scotland, the Prado Museum, the Bilbao Guggenheim and the Bilbao Fine Arts Museum.

¹ Source: PricewaterhouseCoopers.



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Iberdrola, Utility of the future

After reviewing the group's results and community engagement activities in 2016, Ignacio Galán spelled out Iberdrola's plans going forward.

In an energy context marked by increased demand and the need to drastically reduce emissions to meet the commitments set by the Paris Agreement, Galán said: "It is perfectly feasible to achieve good financial results and, at the same time, lead the fight against climate change".

In this regard, the Iberdrola Chairman stated that in this energy transition process, greater electrification of the economy is utterly essential.

The industry's future scenarios, he added, are described in a study by the Massachusetts Institute of Technology (MIT) entitled *Utility of the future*. According to it, the utilities of the future must implement a strategy that involves developing more renewables, more storage, smarter grids, and new solutions for customers; an approach which Iberdrola anticipated more than 15 years ago.

These four pillars, he explained, provide the foundation for the group's business model, further complemented by a wide geographical diversification across countries that are either very solid or have high growth potential.

Thus, Galán referred to the United States, where AVANGRID, the country's second wind energy producer, provides a great platform for developing new networks; and to the United Kingdom, where ScottishPower is already the wind industry leader and is fully immersed in the deployment of smart grids and meters.

He also mentioned the company's leadership in renewables, in Spain and continental Europe where Iberdrola's emissions are nearly 70% below the industry average. He also mentioned construction of three new reversible hydroelectric power plants along the Tâmega river, in the north of Portugal, having completed its pumped storage plants in Spain.

With regards to Mexico, where Iberdrola is the largest private producer of electricity, the company Chairman explained that the group will own over 10,000 megawatts (MW) by 2020, once all ten power plants under



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construction are commissioned. "Thus, right before the end of this decade, our total output in Mexico will be greater than our current production in Spain," he added.

As for Brazil, Ignacio Galán said: "We are well positioned for the potential future restructuring of the sector."

The implementation of this strategy, he explained, will be possible with the €25 billion the group plans to invest up to 2020; €1 billion more than the figure initially proposed in the Strategic Outlook 2016-2020 which was revised upward on February.

Galán pointed out that forecasts for end of the period gross operating profit (Ebitda) have also expanded to €10 billion and that of net profit to €3.5 billion.

The company Chairman added: "We expect to offer you, our shareholders, growing remuneration which could reach up to between €0.37 and €0.40 per share in 2020, some 30% more than was paid out last year."

Leader in corporate governance

Iberdrola continues its work to become a benchmark in corporate governance. In fact, the company already meets nearly all Good Governance Code recommendations set out by the National Securities Market Commission (CNMV).

Furthermore, at today's General Shareholders' Meeting a new reform of the company's Corporate Governance System was submitted for approval, aiming at incorporating into its by-laws the commitment to the aforementioned social dividend and the company's mission, vision and values.

Ignacio Galán highlighted that Iberdrola was the first listed company to publish a report on the activities of the Board and its committees, detailing key topics discussed during 2016.

"I am also pleased to say that, in terms of gender representation on corporate boards, our percentage is twice the average of Ibx 35 blue chip index companies, with all of our advisory committees being chaired by women and a female board coordinator", added Galán.



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The group's Board of Directors also approved the *Crime Prevention and Anti-Fraud Policy*.

All of this has led Iberdrola to be recognised by the *Ethisphere Institute* as one of the world's most ethical companies for the fourth consecutive year, the only Spanish company to be distinguished by this institution.

To conclude his speech, the Chairman of Iberdrola thanked the work done by outgoing members of the Board: José Luis San Pedro and Santiago Martínez Lage.

He also welcomed the two new company directors: Francisco Martínez Córcoles, current Business CEO; and Juan Manuel González Serna, Chairman of *Grupo Siro*.

To wrap up, Ignacio Galán stated: "We are aware of our primary role as an engine for economic growth and social development, and are not about to stop with what has been achieved: we want to go further and make this company, your Iberdrola, an even bigger and more profitable company that is innovative, caring and socially advanced".



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