

# General Shareholders' Meeting / 2016

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## ANNEX TO THE REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE *BY-LAWS*



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## ANNEX TO THE REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE *BY-LAWS*

### ANNEX TO THE REPORT REGARDING THE PROPOSED AMENDMENT OF THE *BY-LAWS* INCLUDED IN ITEM TEN ON THE AGENDA

#### BY-LAWS

##### TITLE I. THE COMPANY, ITS SHARE CAPITAL, AND ITS SHAREHOLDERS

##### Chapter I. General Provisions

##### Article 6. Registered Office

1. The registered office of the Company is in Bilbao (Biscay) at Plaza Euskadi número 5.
2. Such registered office may be transferred to another location within the same municipal area by resolution of the Board of Directors.

##### Article 5. Duration

The duration of the Company is indefinite, its operations having commenced on the date of formalisation of its deed of incorporation.

##### Article 7. The Iberdrola Group

1. The Company is configured as a listed holding company and is the controlling entity of a multinational group of companies (the "**Group**").
2. The corporate and governance structure of the Company is defined based on the following:
  - a) The Company has duties relating to the design of the Corporate Governance System and to the establishment, supervision, and implementation of the policies and strategies of the Group, of the basic guidelines for the management thereof, and of decisions on matters of strategic importance at the Group level.
  - b) The country subholding companies, which are directly or indirectly subordinate to the Company, carry out the function of organisation and strategic coordination in those countries where the Board of Directors of the Company so decides.

#### BY-LAWS

##### PRELIMINARY TITLE ~~I. THE COMPANY, ITS SHARE CAPITAL, IBERDROLA, S.A. AND ITS SHAREHOLDERS~~ GROUP

##### ~~Chapter I. General Provisions~~

##### Article ~~6.2~~ Registered Office

1. The registered office of the Company is in Bilbao (Biscay) at Plaza Euskadi número 5.
2. ~~Such~~The registered office may be transferred to another location within the same municipal area by resolution of the Board of Directors.

##### Article ~~5.3~~ Duration

The duration of the Company is indefinite, its operations having commenced on 19 July 1901, the date of formalisation of its deed of incorporation.

##### Article ~~7.4~~ The Iberdrola Group

1. The Company is configured as a listed holding company and is the controlling entity of a multinational group of companies (the "**Group**").
2. The corporate and governance structure of the Company is defined based on the following:
  - a) The Company has duties relating ~~to the design of the Corporate Governance System~~ and to the establishment, supervision, and implementation of the policies and strategies of the Group, of the basic guidelines for the management thereof, and of decisions on matters of strategic importance at the Group level, as well as the design of the Corporate Governance System.
  - b) The country subholding companies, ~~which are directly or indirectly subordinate to the Company,~~ carry out the function of organisation and strategic coordination in those countries ~~where the~~ and at those businesses decided by the Company's Board



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These entities, which group together equity stakes in the head of business companies in the various countries in which the Group operates, are also responsible for disseminating, implementing, and ensuring compliance with the policies, strategies, and general guidelines of the Group in each of the countries in which it operates, taking into account the characteristics and unique aspects of such countries.

- c) Finally, the head of business companies of the Group are in charge of the day-to-day administration and effective management of each one of the Group's businesses within a country, as well as the day-to-day control thereof.

### Article 4. Object of the Company

1. The Company's object is:

- a) To carry out all manner of activities, works, and services inherent in or related to the business of production, transmission, switching, and distribution or supply of electric power or electricity by-products and applications thereof, and the raw material or energy needed for the generation thereof; energy, engineering, information-technology, telecommunications, and internet-related services; water treatment and distribution; the integral provision of urban and gas supply, as well as other gas storage, regasification, transportation, or distribution

of Directors ~~of the Company so decides.~~

These entities, ~~which~~ group together equity stakes in the energy head of business companies in within the various countries in which the Group ~~operates, are also does~~ business. The Group also has a country subholding company for the non-energy head of business companies, which do business in various countries.

Country subholding companies are responsible for disseminating, implementing, and ensuring compliance with the policies, strategies, and general guidelines of the Group in each of the countries in which it operates, taking into account the characteristics and unique aspects ~~of such countries thereof.~~

The listed country subholding companies of the Group enjoy a special framework of strengthened autonomy that contemplates the measures that are appropriate to safeguard the interests of the minority shareholders of said companies.

- c) Finally, the head of business companies of the Group are in charge of the day-to-day administration and effective management of each ~~one~~ of the Group's businesses within a country, as well as one or more countries, and of the day-to-day control thereof.

1. All companies of the Group share the same corporate interest as well as identical corporate values and ethical principles.

### Article ~~4.5~~ Object of the Company

1. The Company's object is:

- a) To carry out all manner of activities, works, and services inherent in or related to the business of production, transmission, switching, and distribution or supply of electric power or electricity by-products and applications thereof, and the raw material or energy needed for the generation thereof; energy, engineering, information-technology, telecommunications, and internet-related services; water treatment and distribution; the integral provision of urban and gas supply, as well as other gas storage, regasification, transportation, or distribution



## ANNEX TO THE REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE *BY-LAWS*

activities, which will be carried out indirectly through the ownership of shares or equity interests in other companies that will not engage in the supply of gas.

- b) The distribution, representation, and marketing of all manner of goods and services, products, articles, merchandise, software programs, industrial equipment and machinery, tools, utensils, spare parts, and accessories.
  - c) The investigation, study, and planning of investment and corporate organisation projects, as well as the promotion, creation, and development of industrial, commercial, or service companies.
  - d) The provision of services assisting or supporting companies and businesses in which it has an interest or which are within its corporate group, for which purpose it may provide appropriate guarantees and bonds in favour thereof.
2. The aforementioned activities may be carried out in Spain as well as abroad, and may be carried out, in whole or in part, either directly by the Company or through the ownership of shares or equity interests in other companies, subject in all cases and at all times to applicable legal provisions for each industry, especially the electricity industry.

### Article 3. Corporate Interest and Ethical Principles

1. The Company pursues the fulfilment of the corporate interest, which is understood as the common interest of all shareholders of an independent company oriented towards the sustainable exploitation of its corporate object and the creation of long-term value for the shareholders' benefit, taking into account other stakeholders related to its business activity and to its institutional reality, and especially the legitimate interests of the various communities and territories in which the Company acts and those of its employees.

2. The Company aspires for its conduct and that of the persons connected therewith to conform and adhere not only to applicable law and its Corporate Governance System but also to ethical principles and generally accepted principles of social responsibility. The Board of Directors has for such purpose approved a *Code of Ethics* that includes this commitment under the *By-Laws*.

activities, which will be carried out indirectly through the ownership of shares or equity interests in other companies that will not engage in the supply of gas.

- b) The distribution, representation, and marketing of all manner of goods and services, products, articles, merchandise, software programs, industrial equipment and machinery, tools, utensils, spare parts, and accessories.
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### Article ~~3-6~~ Corporate Interest ~~and Ethical Principles~~

~~1.——~~The Company ~~pursues the fulfilment~~conceives of the corporate interest, ~~which is understood~~ as the common interest of all shareholders of an independent company ~~oriented towards~~focused on the sustainable ~~exploitation of~~creation of value by engaging in the activities included in its corporate object ~~and the creation of long-term value for the shareholders' benefit~~, taking into account other stakeholders related to its business activity and ~~to its institutional reality, and especially the legitimate interests of the various communities and territories in which~~in accordance with the ~~Company acts and those of its employees~~Mission, Vision, and Values of the Iberdrola group.

~~2.——~~The Company ~~aspires for its conduct and that of the persons connected therewith to conform and adhere not only to applicable law and its Corporate Governance System but also to ethical principles and generally accepted principles of social responsibility. The Board of Directors has for such purpose approved a Code of Ethics that includes this commitment under the By-Laws.~~

### Article 7. Social Return, Corporate Values, and Ethical



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### Principles

1. The Mission, Vision, and Values of the Iberdrola group constitutes the corporate philosophy of the Group and expresses a desire to optimise its business, corporate, and institutional reality, in the awareness that, due to its size and the importance of its activities, it is a focal point for many stakeholders and of the economic and social environment in which its companies do business.
2. The Mission, Vision, and Values of the Iberdrola group constitutes the corporate philosophy of the Group and expresses a desire to optimise its business, corporate, and institutional reality, in the awareness that, due to its size and the importance of its activities, it is a focal point for many stakeholders and of the economic and social environment in which its companies do business.
3. The Mission, Vision, and Values of the Iberdrola group inspires and takes form in the Corporate Policies and in the other rules of the Corporate Governance System, governing the day-to-day activities of all companies of the Group and guiding their strategy and all of their actions.
4. The Company seeks a social return on all of its activities. Its corporate values reflect its commitment to the creation of value in a sustainable manner, ethical principles, transparency and good corporate governance, the development of human resources, social commitment, a sense of belonging, safety and reliability, quality, innovation, protection of the environment, customer focus, and institutional loyalty.

### **Article 2. Applicable Legal Provisions and Corporate Governance System**

1. The Company is governed by the legal provisions relating to listed companies and other applicable laws and regulations, as well as by its Corporate Governance System.
2. The Corporate Governance System is the Company's internal system of rules, configured in accordance with applicable law in the exercise of corporate autonomy supported thereby, and that applies to the entire group of companies controlled by the Company. It is intended to ensure through rule-making the best development of the corporate object of the Company, as an international business entity that operates in quite varied economic, legal, and social contexts, as well as

### **Article ~~2.8~~ Applicable Legal Provisions and Corporate Governance System**

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2. The Corporate Governance System is the Company's internal system of rules, which is configured in accordance with applicable law in the exercise of corporate autonomy supported thereby, ~~and that~~ applies to the entire group of companies controlled by the Company Group. It is intended to ensure through rule-making the best development of the corporate object of the Company, ~~as an international business entity that operates in quite varied economic, legal, and social contexts, as well~~



## ANNEX TO THE REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE *BY-LAWS*

- the fulfilment of the corporate interest.
3. The Corporate Governance System is made up of these *By-Laws*, the *Corporate Policies*, the internal corporate governance rules, which include the *Regulations for the General Shareholders' Meeting*, the *Regulations of the Board of Directors* and those of its committees, and of the other internal codes and procedures approved by the competent decision-making bodies of the Company.
  4. The shareholders acting at a General Shareholders' Meeting and the Board of Directors, within their respective purview, develop, apply, and interpret the rules making up the Corporate Governance System in order to ensure compliance at all times with the purposes thereof and, particularly, the fulfilment of the corporate interest.

### Article 9. Corporate Website

1. The Company maintains a corporate website, envisaged as an instrument for channelling its relations with shareholders and investors, which is intended to foster their involvement in corporate life.
2. Through the corporate website:
  - a) shareholders and investors are provided with the documents and information required by law and the Corporate Governance System and other information deemed appropriate, taking into

- ~~as~~ and the fulfilment of the corporate interest.
3. The Corporate Governance System is made up of these *By-Laws*, the [Mission, Vision, and Values of the Iberdrola group](#), the [Corporate Policies](#), the internal corporate governance rules, which include the *Regulations for the General Shareholders' Meeting*, the *Regulations of the Board of Directors* and those of its [consultative](#) committees, and of [the](#) other internal codes and procedures approved by the competent decision-making bodies of the Company.
  4. [Full or summarised versions of the rules making up the Corporate Governance System can be viewed on the Company's corporate website.](#)
  5. ~~4.~~—The shareholders acting at a General Shareholders' Meeting and the Board of Directors [of the Company](#), within their respective purview, develop, apply, and interpret the rules making up the Corporate Governance System in order to ensure compliance at all times with the purposes thereof and, particularly, the fulfilment of the corporate interest.

### [Article 9. Stakeholder Relations, Corporate Website, and Presence on Social Media](#)

1. The Company ~~maintains a corporate website, envisaged as an instrument for channelling its relations with shareholders and investors, which is intended to foster their involvement in corporate life.~~ [and the other entities belonging to the Group seek to engage all stakeholders in its business enterprise in accordance with a policy on relations with all of them based on two-way communication and on principles of transparency, active listening, and equal treatment, which allows for all of their legitimate interests to be taken into consideration and to effectively disclose information regarding the activities and businesses of the Group. The Company's Board of Directors is responsible for approving this policy and coordinating and supervising the application thereof.](#)
- ~~2.~~— [Through the corporate website:](#)
  - ~~a)~~— [shareholders and investors are provided with the documents and information required by law and the Corporate Governance System and other information deemed appropriate, taking into account the provisions of](#)



## ANNEX TO THE REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE *BY-LAWS*

account the provisions of the preceding section;

- b) shareholders are provided with the means to exercise the rights to receive information and to participation in the General Shareholders' Meeting recognised by law and by the Corporate Governance System; and
- e) full or summarised versions of the rules making up the Corporate Governance System are published.

~~the preceding section;~~

- ~~b) shareholders are provided with the means to exercise the rights to receive information and to participation in the General Shareholders' Meeting recognised by law and by the Corporate Governance System; and~~
- ~~e) full or summarised versions of the rules making up the Corporate Governance System are published.~~

2. The Company's corporate website, its presence on social media, and its digital communication strategy generally are channels of communication serving the stakeholder relations policy. The ultimate goal thereof is to encourage the stakeholders' engagement, reinforce their sense of belonging, strengthen the Iberdrola brand, and favour the development of the businesses of the Group and the digital transformation thereof.

3. The Board of Directors shall promote the use of the corporate website to facilitate the exercise of the shareholders' rights to receive information and to participate in connection with the General Shareholders' Meeting and the corporate governance of the Company, upon the terms provided by law and the Corporate Governance System.

4. The corporate websites and the presence on social media of the country subholding companies and of the head of business companies contribute to the Company's digital communication strategy and are one of the principal means for engaging their respective stakeholders. The structure and content thereof shall conform to the Company's stakeholder relations policy and to the general guidelines approved by its Board of Directors.

5. All companies of the Group shall promote the accessibility of their respective corporate websites.

### Article 8. Permanent Contact with Shareholders and Transparency

Permanent contact with its shareholders and ongoing attention to the transparency of corporate information and of relations with its shareholders and with the market generally, in accordance with the provisions of law and the Corporate Governance System, are primary objectives of the Company.

### ~~Article 8. Permanent Contact with Shareholders and Transparency~~

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## ANNEX TO THE REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE *BY-LAWS*

### Chapter II. Share Capital and Shares

#### Article 11. The Shares

1. The shares are represented in book-entry form.
2. If shares have not been entirely paid up, this circumstance shall be reflected in the corresponding book entry.
3. Unpaid subscriptions must be paid at the time fixed by the Board of Directors, within a period of five years from the date of the resolution approving the capital increase. The form and other circumstances of the payment shall be governed by the provisions of the resolution approving the capital increase, which may provide for cash as well as non-cash contributions.

#### Article 12. Shareholder Status

1. Each share of the Company confers upon its legitimate holder the status of shareholder, and vests such holder with the rights and obligations established by law and by the Corporate Governance System. In this regard, the Company shall acknowledge as a shareholder any party that appears entitled thereto as owner in the entries of the corresponding book-entry register.
2. The Company may, as legally allowed, access the information needed to fully identify its shareholders, including addresses and means of contact for communication with them.

#### Article 13. Involvement of the Shareholders

The Company shall foster continuous and appropriate

### TITLE I. SHARE CAPITAL AND SHAREHOLDERS

### Chapter III. Share Capital and Shares

#### Article 11. Shares

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2. If shares have not been entirely paid up, this circumstance shall be reflected in the corresponding book entry.
3. Unpaid subscriptions must be paid at the time fixed by the Board of Directors, within a period of five years from the date of the resolution approving the increase in capital. The form and other circumstances of the payment shall be governed by the provisions of the resolution approving the increase in capital, which may provide for cash as well as non-cash contributions.

### Chapter II. Shareholders

#### Article 12. Shareholder Status

1. Each share of the Company confers upon its legitimate holder the status of shareholder, and vests such holder with the rights and obligations established by law and by the Corporate Governance System. ~~In this regard, the Company shall acknowledge as a shareholder any party that appears entitled thereto as owner in the entries of the corresponding book-entry register.~~ The shareholders also participate indirectly, through the Company, in the other companies of the Group.
2. ~~The Company may, as legally allowed, access the information needed to fully identify its shareholders, including addresses and means of contact for communication with them.~~ The Company shall acknowledge as a shareholder any party that appears entitled thereto as owner in the entries of the corresponding book-entry register.
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## ANNEX TO THE REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE *BY-LAWS*

information for its shareholders, permanent contact therewith, and their involvement in corporate life. For this purpose, the Board of Directors shall establish the channels for participation through which the Company will foster their involvement with appropriate guarantees and coordination mechanisms.

### Article 14. The Shareholders and the Corporate Governance System

1. The ownership of shares entails consent to the Corporate Governance System and the duty to respect and comply with the legally adopted decisions of the governance bodies of the Company.
2. Shareholders must exercise their rights vis-à-vis the Company and the other shareholders, and must comply with their duties, acting with loyalty, in good faith, and transparently, within the framework of the corporate interest as the paramount interest ahead of the private interest of each shareholder and in accordance with the Corporate Governance System.

### Article 32. Powers of the Board of Directors

1. The Board of Directors has the power to adopt resolutions regarding all matters not assigned by law or the Corporate Governance System to the shareholders acting at a General Shareholders' Meeting.
2. Although the Board of Directors has the broadest powers and authority to manage and represent the Company, as a general rule of good governance, the Board of Directors shall focus its activities, pursuant to the Corporate Governance System, on the definition and supervision of the general guidelines to be followed by the Company and the Group, attending to the following matters, among others:
  - a) Establish, within legal limits, the policies, strategies, and guidelines of the Group, entrusting to the decision-making bodies and the management of the head of business companies of the Group the duties of day-to-day administration and effective management of each of the businesses thereof.
  - b) Supervise the general development of the aforementioned policies, strategies, and guidelines by the country subholding companies and by the head of business companies of the Group, establishing

information for its shareholders, permanent contact therewith, and their engagement in corporate life. For this purpose, the Board of Directors shall establish the channels for participation through which the Company will foster their engagement with appropriate guarantees and coordination mechanisms.

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2. Although the Board of Directors has the broadest powers and authority to manage and represent the Company, as a general rule of good governance, the Board of Directors shall focus its activities, pursuant to the Corporate Governance System, on the definition and supervision of the general guidelines to be followed by the Company and the Group, attending to the following matters, among others:
  - a) Establish, within legal limits, the policies, strategies, and guidelines of the Group, entrusting to the decision-making bodies and the management of the head of business companies of the Group the duties of day-to-day administration and effective management of each of the businesses thereof.
  - b) Supervise the general development of the aforementioned policies, strategies, and guidelines by the country subholding companies and by the head of business companies of the Group, establishing



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appropriate mechanisms of coordination and exchange of information in the interest of the Company and of the companies belonging thereto.

- c) Decide on matters of strategic importance at the Group level.
3. The Board of Directors shall generally entrust to its chairman, to the chief executive officers, and to the senior officers the dissemination, coordination, and general implementation of the Group's management guidelines, acting in furtherance of the interests of each and every one of the companies belonging thereto.
  4. The Board of Directors shall design, evaluate, and review the Corporate Governance System on an ongoing basis. It shall pay special attention to the approval of the Corporate *Policies*, which further develop the principles reflected in these *By-Laws* and in the other provisions of the Corporate Governance System and codify the guidelines that should govern the activities of the Company and its shareholders and the activities of the Group.
  5. The *Regulations of the Board of Directors* shall specify the powers reserved to such body, which may not be entrusted to the representative decision-making bodies or to the senior management of the Company.

### Article 34. Types of Directors

1. Those directors who perform management duties within the Company or its Group, whatever the legal relationship they maintain, shall be deemed executive directors.
2. All other directors of the Company, whether proprietary, independent, or other external, shall be deemed non-executive directors:
  - a) Proprietary directors: those directors who own a shareholding interest that is equal to or greater than that legally regarded as significant at any time, or who have been appointed owing to their status as shareholders, even if their shareholding interest does not reach such amount, as well as those representing the shareholders described above. However, if any of such directors at the same time performs management duties within the Company or the Group, such director shall be deemed an

appropriate mechanisms of coordination and exchange of information in the interest of the Company and of the companies belonging thereto.

- c) Decide on matters of strategic importance at the Group level.
3. The Board of Directors shall generally entrust to its chairman, to the chief executive officers, and to the senior officers the dissemination, coordination, and general implementation of the Group's management guidelines, acting in furtherance of the interests of each and every one of the companies belonging thereto.
  4. The Board of Directors shall design, evaluate, and review the Corporate Governance System on an ongoing basis. It shall approve the Mission, Vision, and Values of the Iberdrola group and shall pay special attention to the approval and updating of the *Corporate Policies*, which further develop the principles reflected in these *By-Laws* and in the other provisions of the Corporate Governance System and codify the guidelines that should govern the activities of the Company ~~and~~ its shareholders, ~~and the activities of~~ the Group.
  5. The *Regulations of the Board of Directors* shall specify the powers reserved to such body, which may not be entrusted to the representative decision-making bodies or to the senior management of the Company.

### Article 34. Types of Directors

1. Those directors who perform management duties within the Company or its Group, whatever the legal relationship they maintain, shall be deemed executive directors.
2. All other directors of the Company, whether proprietary, independent, or other external, shall be deemed non-executive directors:
  - a) Proprietary directors: those directors who own a shareholding interest that is equal to or greater than that legally regarded as significant at any time, or who have been appointed owing to their status as shareholders, even if their shareholding interest does not reach such amount, as well as those representing the shareholders described above. However, if any of such directors at the same time performs management duties within the Company or



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executive director.

- b) Independent directors: those directors who, having been appointed because of their personal and professional qualities, may carry out their duties without being constrained by relationships with the Company or its Group, its significant shareholders, its officers, or the other directors. Directors who have been independent directors for a continuous period of more than twelve years cannot be deemed to be external independent directors.
- c) Other external directors: those non-executive directors who do not have the characteristics to be deemed proprietary or independent directors.

The *Regulations of the Board of Directors* may further elaborate upon and develop these concepts within the framework established by law.

3. The Board of Directors shall ensure that a majority of its members are independent directors. This instruction, as well as those set forth in these *By-Laws* and in the *Regulations of the Board of Directors* regarding the composition of the committees of the Board of Directors, shall be mandatory for the Board of Directors, which must follow them in the exercise of its powers to propose appointments and re-elections of directors to the shareholders at a General Shareholders' Meeting and to make interim appointments of directors to cover vacancies and in appointing members of the committees of the Board of Directors, and merely constitute guidance for the shareholders.
4. A rationale for the status of each director shall be given by the Board of Directors to the shareholders at the General Shareholders' Meeting at which the appointment thereof must be made or ratified or the re-election thereof approved, and shall be maintained or, if applicable, modified in the *Annual Corporate Governance Report*, after a report from the Appointments and Remuneration Committee.

### Article 37. Committees of the Board of Directors

1. The Board of Directors must have an Audit and Risk Supervision Committee and an Appointments and Remuneration Committee (or two separate

the Group, such director shall be deemed an executive director.

- b) Independent directors: those directors who, having been appointed because of their personal and professional qualities, may carry out their duties without being constrained by relationships with the Company or its Group, its significant shareholders, its officers, or the other directors. Directors who have been independent directors for a continuous period of more than twelve years cannot be deemed to be independent directors.
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### Article 37. Committees of the Board of Directors

1. The Board of Directors must have an Audit and Risk Supervision Committee ~~and~~ an Appointments Committee, and a Remuneration Committee (or



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committees, an Appointments Committee and a Remuneration Committee), on a permanent basis.

2. The Board of Directors may also have an executive committee, called the Executive Committee (*Comisión Ejecutiva Delegada*), a consultative committee called the Corporate Social Responsibility Committee, and may create any other consultative committees with the powers that the Board of Directors determines, all of a voluntary nature.
3. The committees shall be governed by the provisions of the Corporate Governance System, including, the specific regulations thereof, when available, which must be approved by the Board of Directors and, by way of supplement and to the extent not incompatible with the nature thereof, by the provisions regarding the operation of the Board of Directors.

### Article 38. Executive Committee

1. If created, the Executive Committee shall have all the powers inherent to the Board of Directors, except for those powers that may not be delegated pursuant to law or the Corporate Governance System.
2. The Executive Committee shall be composed of the number of directors decided by the Board of Directors upon a proposal of the Appointments and Remuneration Committee, with a minimum of four and a maximum of eight.
3. The appointment of the members of the Executive Committee and the delegation of powers thereto shall be carried out by the Board of Directors with the favourable vote of at least two-thirds of the members thereof. The renewal thereof shall be carried out at the time and in the form and numbers decided by the Board of Directors with such majority.
4. The chairman of the Board of Directors and the chief executive officers shall in all cases form part of the Executive Committee.
5. The meetings of the Executive Committee shall be chaired by the chairman of the Board of Directors, and in the absence thereof, by one of the vice-chairs who are members of the Executive Committee, and if none, by the director member of the Executive Committee having the

~~two separate committees, an~~ single Appointments ~~Committee and a~~ Remuneration Committee), on a permanent basis.

2. The Board of Directors may also have an executive committee, called the Executive Committee (*Comisión Ejecutiva Delegada*), a consultative committee called the Corporate Social Responsibility Committee, and may create any other consultative committees with the powers that the Board of Directors determines, all of a voluntary nature.
3. The committees shall be governed by the provisions of the Corporate Governance System, including, the specific regulations thereof, when available, which must be approved by the Board of Directors and, by way of supplement and to the extent not incompatible with the nature thereof, by the provisions regarding the operation of the Board of Directors.

### Article 38. Executive Committee

1. If created, the Executive Committee shall have all the powers inherent to the Board of Directors, except for those powers that may not be delegated pursuant to law or the Corporate Governance System.
2. The Executive Committee shall be composed of the number of directors decided by the Board of Directors upon a proposal of the Appointments ~~and Remuneration~~ Committee, with a minimum of four and a maximum of eight.
3. The appointment of the members of the Executive Committee and the delegation of powers thereto shall be carried out by the Board of Directors with the favourable vote of at least two-thirds of the members thereof. The renewal thereof shall be carried out at the time and in the form and numbers decided by the Board of Directors with such majority.
4. The chairman of the Board of Directors and the chief executive officers shall in all cases form part of the Executive Committee.
5. Meetings of the Executive Committee shall be chaired by the chairman of the Board of Directors, and in the absence thereof, by one of the vice-chairs who are members of the Executive Committee, ~~and if none,~~ if any, or by the lead



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longest length of service in office, and if equal lengths of service, by the oldest. The secretary of the Board of Directors or, in the absence thereof, any of the deputy secretaries or, in the absence of all of them, the director that the Executive Committee appoints from among its members in attendance, shall serve as secretary.

6. Resolutions of the Executive Committee shall be adopted by an absolute majority of votes cast in person or by proxy. In the event of a tie, the chair of the Executive Committee shall have the tie-breaking vote.

### Article 39. Audit and Risk Supervision Committee

1. The Board of Directors shall create a permanent Audit and Risk Supervision Committee, an internal informational and consultative body without executive duties with information, advisory, and proposal-making powers within its scope of action.

2. The Audit and Risk Supervision Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments and Remuneration Committee from among the non-executive directors who are not members of the Executive Committee. A majority of such directors shall be independent.

3. The Board of Directors shall appoint a chair of the Audit and Risk Supervision Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director. The position of chair of the Audit and Risk Supervision Committee shall be held for a maximum period of four years, after which period the chair may not be re-elected until the passage of at least one year from ceasing to act as such, without prejudice to the continuance or re-election thereof as a member of the committee.

4. The Audit and Risk Supervision Committee shall have the powers set forth in the *Regulations of the Board of Directors* and in its own regulations and in any event those established by law, except for that of reporting on related-party transactions, which power is assigned to the Appointments and Remuneration Committee.

independent director (consejero coordinador), if a member of the Executive Committee. In the absence of all of the foregoing, they shall be chaired by the director member of the Executive Committee having the longest length of service in office, and if equal lengths of service, by the oldest. The secretary of the Board of Directors or, in the absence thereof, any of the deputy secretaries or, in the absence of all of them, the director that the Executive Committee appoints from among its members in attendance, shall serve as secretary.

6. Resolutions of the Executive Committee shall be adopted by an absolute majority of votes cast in person or by proxy. In the event of a tie, the chair of the Executive Committee shall have the tie-breaking vote.

### Article 39. Audit and Risk Supervision Committee

1. The Board of Directors shall create a permanent Audit and Risk Supervision Committee, an internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action.

2. The Audit and Risk Supervision Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments ~~and Remuneration~~ Committee from among the non-executive directors who are not members of the Executive Committee. A majority of such directors shall be independent.

3. The Board of Directors shall appoint a chair of the Audit and Risk Supervision Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director. The chair of the Audit and Risk Supervision Committee shall hold office for a maximum period of four years, after which period the chair may not be re-elected until the passage of at least one year from ceasing to act as such, without prejudice to the continuance or re-election thereof as a member of the committee.

4. The Audit and Risk Supervision Committee shall have the powers set forth in the *Regulations of the Board of Directors* and in its own regulations and in any event those established by law, except for that of reporting on related-party transactions, which power is assigned to the Appointments ~~and~~





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### Article 40. Appointments and Remuneration Committee

1. The Board of Directors shall create a permanent Appointments and Remuneration Committee (or two separate committees, an Appointments Committee and a Remuneration Committee, in which case reference in these *By-Laws* to the Appointments and Remuneration Committee shall be deemed made to the corresponding committee), which shall be an internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action.
2. The Appointments and Remuneration Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments and Remuneration Committee, from among the non-executive directors, and the majority thereof must be classified as independent.
3. The Board of Directors shall appoint a chair of the Appointments and Remuneration Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director.
4. The Appointments and Remuneration Committee shall have the powers set forth in the *Regulations of the Board of Directors* and in its own regulations and in any event those established by law as well as the power to report on related-party transactions.

### Article 41. Corporate Social Responsibility Committee

1. If created, the Corporate Social Responsibility Committee shall be deemed an internal informational and consultative body without

~~Remuneration~~ Committee.

### Article 40. Appointments Committee and Remuneration Committee

1. The Board of Directors shall create a permanent Appointments Committee and a permanent Remuneration Committee (or ~~two separate committees, ana single~~ Appointments ~~Committee~~ and ~~a~~ Remuneration Committee, in which case reference in these *By-Laws* to the Appointments Committee and the Remuneration Committee shall be deemed made to the ~~corresponding same~~ committee), which shall be an internal informational and consultative ~~body~~ bodies without executive duties, with information, advisory, and proposal-making powers within ~~its scope~~ their respective scopes of action.
2. The Appointments Committee and the Remuneration Committee shall each be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments ~~and Remuneration~~ Committee, from among the non-executive directors, and the majority thereof of their respective members must be classified as independent.
3. The Board of Directors shall appoint ~~a chair of the Appointments and Remuneration Committee~~ the chairs of both committees from among the independent directors forming part ~~thereof of each of them,~~ as well as ~~its secretary~~ their secretaries, who need not be ~~a director.~~ directors.
4. The Appointments Committee and the Remuneration Committee shall have the powers set forth in the *Regulations of the Board of Directors* and in ~~its~~ their own regulations and in any event those established by law as well as ~~the power to report on related-party transactions.~~ those corresponding to each of them due to the nature thereof.

In particular, the Appointments Committee shall have the power to report on related-party transactions.

### Article 41. Corporate Social Responsibility Committee

1. If created, the Corporate Social Responsibility Committee shall be deemed an internal informational and consultative body without



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- executive duties, with information, advisory, and proposal-making powers within its scope of action.
2. The Corporate Social Responsibility Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments and Remuneration Committee, from among the non-executive directors, and the majority thereof must be classified as independent.
  3. The Board of Directors shall appoint a chair of the Corporate Social Responsibility Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director.
  4. The Corporate Social Responsibility Committee shall have the powers set forth in the *Regulations of the Board of Directors* and in its own regulations.

### Article 42. Chairman and Vice-Chair or Vice-Chairs

1. The Board of Directors, following a report from the Appointments and Remuneration Committee, shall appoint a chairman from among its members. The Board of Directors may also appoint one or more honorary chairs of the Company.
2. The chairman of the Board of Directors shall have the status of president of the Company and of chair of all of the corporate decision-making bodies of which the chairman is a member, which he shall permanently represent with the broadest powers, having a duty to carry out the resolutions thereof and being authorised in urgent cases to adopt such measures as the chairman deems advisable in furtherance of the corporate interest.
3. The chairman of the Board of Directors undertakes the senior management and representation of the Company, as well as leadership of the Board of Directors.
4. The chairman of the Board of Directors exercises the powers conferred upon him by law and the Corporate Governance System, and particularly the following:
  - a) To call and preside over meetings of the Board of Directors and the Executive Committee, setting the agenda for the meetings and directing the discussion

- executive duties, with information, advisory, and proposal-making powers within its scope of action.
2. The Corporate Social Responsibility Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments ~~and Remuneration~~ Committee, from among the non-executive directors, and the majority thereof must be classified as independent.
  3. The Board of Directors shall appoint a chair of the Corporate Social Responsibility Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director.
  4. The Corporate Social Responsibility Committee shall have the powers set forth in the *Regulations of the Board of Directors* and in its own regulations.

### Article 42. Chairman and Vice-Chair or Vice-Chairs

1. The Board of Directors, following a report from the Appointments ~~and Remuneration~~ Committee, shall appoint a chairman from among its members. The Board of Directors may also appoint one or more honorary chairs of the Company.
2. The chairman of the Board of Directors shall have the status of president of the Company and of chair of all of the corporate decision-making bodies of which the chairman is a member, which he shall permanently represent with the broadest powers, having ~~a~~<sup>the</sup> duty to carry out the resolutions thereof and being authorised in urgent cases to adopt such measures as the chairman deems advisable in furtherance of the corporate interest.
3. The chairman of the Board of Directors undertakes the senior management and representation of the Company, as well as leadership of the Board of Directors.
4. The chairman of the Board of Directors exercises the powers conferred upon him by law and the Corporate Governance System, and particularly the following:
  - a) To call and preside over meetings of the Board of Directors and the Executive Committee, setting the agenda for the meetings and directing the discussion and





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<p>and debate.</p> <p>b) To chair the General Shareholders' Meeting and exercise thereat the duties attributed thereto by the Corporate Governance System.</p> <p>c) To bring to the Board of Directors those proposals that the chairman deems appropriate for the efficient running of the Company, particularly those corresponding to the operation of the Board of Directors itself and other governance decision-making bodies, as well as to propose the persons, if any, who will hold office as vice-chair, chief executive officer, secretary and deputy secretary of the Board of Directors and the committees thereof, without prejudice to the reporting powers belonging to the Appointments and Remuneration Committee.</p> <p>d) To ensure, with the collaboration of the secretary, that the directors receive in advance information sufficient to deliberate on the items on the agenda.</p> <p>e) To stimulate the debate and active participation of the directors during meetings, safeguarding their freedom to take positions.</p>	<p>debate.</p> <p>b) To chair the General Shareholders' Meeting and exercise thereat the duties attributed thereto by the Corporate Governance System.</p> <p>c) To bring to the Board of Directors those proposals that the chairman deems appropriate for the efficient running of the Company, particularly those corresponding to the operation of the Board of Directors itself and other governance decision-making bodies, as well as to propose the persons, if any, who will hold office as vice-chair, chief executive officer, secretary and deputy secretary of the Board of Directors and <u>of</u> the committees thereof, without prejudice to the reporting powers belonging to the Appointments <del>and Remuneration</del> Committee.</p> <p>d) To ensure, with the collaboration of the secretary <u>of the Board of Directors</u>, that the directors receive in advance information sufficient to deliberate on the items on the agenda.</p> <p>e) To stimulate the debate and active participation of the directors during meetings, safeguarding their freedom to take positions.</p>
<p>5. The Board of Directors, upon a proposal of its chairman and after a report from the Appointments and Remuneration Committee, may elect from among its members one or more vice-chairs who shall temporarily replace the chairman of the Board of Directors in the event of vacancy, absence, illness, or incapacity. The same procedure shall be followed to decide the removal of a vice-chair.</p>	<p>5. The Board of Directors, upon a proposal of its chairman and after a report from the Appointments <del>and Remuneration</del> Committee, may elect from among its members one or more vice-chairs who shall temporarily replace the chairman of the Board of Directors in the event of vacancy, absence, illness, or incapacity. <del>The same procedure shall be followed to decide the removal of a vice chair.</del></p>
<p>6. If there is more than one vice-chair of the Board of Directors, the one that is expressly appointed by the Board of Directors for such purpose shall replace the chairman of the Board of Directors; in default of the foregoing, the vice-chair having the longest length of service in office; in case of equal lengths of service, the oldest. If a vice-chair has not been appointed, the chairman shall be replaced by the director with the longest length of service in office, and in case of equal lengths, the oldest.</p>	<p>6. If there is more than one vice-chair of the Board of Directors, the one that is expressly appointed by the Board of Directors for such purpose shall replace the chairman of the Board of Directors; in default of the foregoing, the vice-chair having the longest length of service in office; in case of equal lengths of service, the oldest. If a vice-chair has not been appointed, the chairman shall be replaced <u>by the lead independent director; in the absence thereof</u>, by the director with the longest length of service in office, and in case of equal</p>



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7. The vice-chair or the director, if any, that must replace the chairman under the provisions of the preceding section shall lead the process of electing a new chairman in the event of removal, notice of resignation, disability, or death in accordance with the succession plan approved by the Board of Directors.

### Article 43. Chief Executive Officer

1. The Board of Directors, upon a proposal of the chairman thereof, after a report from the Appointments and Remuneration Committee and with the favourable vote of at least two-thirds of the directors, may appoint one or more chief executive officers (*consejeros delegados*) with the powers it deems appropriate and which may be delegated pursuant to law and the Corporate Governance System.

2. In the event of vacancy, absence, illness, or incapacity of all of the chief executive officers, the duties entrusted thereto shall be temporarily assumed by the chairman of the Board of Directors or, in the absence thereof, by the vice-chair or director designated in accordance with the provisions of section 6 of the preceding article, who shall call a meeting of the Board of Directors to deliberate and decide upon the appointment, if appropriate, of one or more new chief executive officers.

### Article 44. Secretary and Deputy Secretary or Deputy Secretaries of the Board of Directors

1. The Board of Directors, upon a proposal of the chairman thereof and after a report from the Appointments and Remuneration Committee, shall appoint a secretary, who need not be a director, and, if appropriate, one or more deputy secretaries, who also need not be directors, and who shall replace the secretary in the event of vacancy, absence, illness, or incapacity. The same procedure shall be followed to decide the removal of the secretary and, if applicable, each deputy secretary.

lengths, by the oldest.

7. ~~The vice-chair or the director, if any, that must replace the chairman under the provisions of the preceding section shall lead the process of electing a new chairman in the event of~~ the chairman must be replaced on a definitive basis due to removal, notice of resignation, disability, or death, the preceding sections shall apply and the vice-chair or director appointed as a provisional replacement shall lead the process for electing a new chairman, in accordance with the succession plan approved by the Board of Directors.

8. The same procedure shall be followed to decide the removal of a vice-chair.

### Article 43. Chief Executive Officer

1. The Board of Directors, upon a proposal of the chairman thereof, after a report from the Appointments ~~and Remuneration~~ Committee and with the favourable vote of at least two-thirds of the directors, may appoint one or more chief executive officers (*consejeros delegados*) with the powers it deems appropriate and which may be delegated pursuant to law and the Corporate Governance System.

2. In the event of vacancy, absence, illness, or incapacity of all of the chief executive officers, the duties entrusted thereto shall be temporarily assumed by the chairman of the Board of Directors or, in the absence thereof, by the vice-chair or director designated in accordance with the provisions of section 6 of the preceding article, who shall call a meeting of the Board of Directors to deliberate and decide upon the appointment, if appropriate, of one or more new chief executive officers.

### Article 44. Secretary and Deputy Secretary or Deputy Secretaries of the Board of Directors

1. The Board of Directors, upon a proposal of the chairman thereof and after a report from the Appointments ~~and Remuneration~~ Committee, shall appoint a secretary, who need not be a director, and, if appropriate, one or more deputy secretaries, who also need not be directors, and who shall replace the secretary in the event of vacancy, absence, illness, or incapacity. The same procedure shall be followed to decide the removal of the secretary and, if applicable, each deputy



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2. If there is more than one deputy secretary, the secretary of the Board of Directors shall be replaced by the corresponding one among them in accordance with the order established at the time of their appointment. In the absence of a secretary and deputy secretaries, the director that the Board of Directors itself appoints from among the attendees at the meeting in question shall serve as such.

3. The secretary of the Board of Directors shall perform the duties assigned thereto by law and the Corporate Governance System.

4. The secretary of the Board of Directors or, if applicable, the deputy secretary or one of the deputy secretaries if several, may also hold the position of general secretary if so decided by the Board of Directors, with the duties assigned thereto by the Corporate Governance System.

### Article 45. Checks and Balances System: the Lead Director

1. The Corporate Governance System shall provide the measures necessary to ensure that neither the chairman of the Board of Directors, nor the Executive Committee, nor the chief executive officers have a decision-making power that is not subject to appropriate checks and balances.
2. The Board of Directors shall adopt the measures necessary to ensure that both the chairman of the Board of Directors and the Executive Committee and the chief executive officers are under its effective supervision.
3. The appointment of an executive director as chairman of the Board of Directors shall require the favourable vote of at least two-thirds of the directors.
4. If the chairman of the Board of Directors has the status of executive director, the Board of Directors, upon a proposal of the Appointments and Remuneration Committee and with the abstention of the executive directors, must necessarily appoint from among the independent directors a lead director (*consejero coordinador*), who shall be especially empowered, when the lead director deems it appropriate, to:

secretary.

2. If there is more than one deputy secretary, the secretary of the Board of Directors shall be replaced by the corresponding one among them in accordance with the order established at the time of their appointment. In the absence of a secretary and deputy secretaries, the director that the Board of Directors itself appoints from among the attendees at the meeting in question shall serve as such.

3. The secretary of the Board of Directors shall perform the duties assigned thereto by law and the Corporate Governance System.

4. The secretary of the Board of Directors or, if applicable, the deputy secretary or one of the deputy secretaries if several, may also hold the position of general secretary if so decided by the Board of Directors, with the duties assigned thereto by the Corporate Governance System.

### Article 45. Checks and Balances System: Lead Independent Director

1. The Corporate Governance System shall provide the measures necessary to ensure that neither the chairman of the Board of Directors, nor the Executive Committee, nor the chief executive officers have a decision-making power that is not subject to appropriate checks and balances.
2. The Board of Directors shall adopt the measures necessary to ensure that both the chairman of the Board of Directors and the Executive Committee and the chief executive officers are under its effective supervision.
3. The appointment of an executive director as chairman of the Board of Directors shall require the favourable vote of at least two-thirds of the directors.
4. If the chairman of the Board of Directors has the status of executive director, the Board of Directors, upon a proposal of the Appointments ~~and Remuneration~~ Committee and with the abstention of the executive directors, must necessarily appoint from among the independent directors a lead independent director (*consejero coordinador*), who shall be especially empowered, when the lead independent director deems it appropriate, to:



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|--|--|
| <p>a) Ask the chairman of the Board of Directors to call a meeting thereof and to participate with the chairman in the planning of the annual schedule of meetings.</p> <p>b) Participate in the preparation of the agenda for each meeting of the Board of Directors and request the inclusion of matters on the agenda for meetings of the Board of Directors that have already been called.</p> <p>c) Coordinate, meet with, and reflect the concerns of the non-executive directors.</p> <p>d) Direct the periodic evaluation of the chairman of the Board of Directors and lead any process for the succession thereof.</p> | <p>a) Ask the chairman of the Board of Directors to call a meeting thereof and to participate with the chairman in the planning of the annual schedule of meetings.</p> <p>b) Participate in the preparation of the agenda for each meeting of the Board of Directors and request the inclusion of matters on the agenda for meetings of the Board of Directors that have already been called.</p> <p>c) Coordinate, meet with, and reflect the concerns of the non-executive directors.</p> <p>d) Direct the periodic evaluation of the chairman of the Board of Directors and lead any process for the succession thereof.</p> |
| <p>5. The lead director may also maintain contacts with shareholders when so decided by the Board of Directors.</p>  | <p>5. The lead independent director may also maintain contacts with shareholders when so decided by the Board of Directors.</p>  |

