Corporate Governance System / 24 July 2018
Introduction to the Corporate Governance System
I. Iberdrola’s Identity and its Three Dimensions: Business, Corporate and Institutional

1. The origin of Iberdrola, S.A. (“Iberdrola” or the “Company”) goes back to 1901, when it was organised in Bilbao under the name Hidroeléctrica Ibérica, S.A. in order to meet the growing demand for electric power in the principal industrial regions of the north of Spain.

2. It is currently an independent and open company, domiciled in Biscay, which is quoted on the securities market and which constitutes an historical, business, corporate and institutional reality of tremendous size and unquestionable value and significance, a reference point for diverse stakeholders and the economic and social environment in which it does business.

3. It heads a leading group in the energy sector, which focuses its activities on the production, distribution and supply of electricity, an essential item for millions of users and customers, through the use of environmentally-friendly and innovative sources and technologies, at the vanguard of the digital transformation.

4. Iberdrola seeks to achieve its corporate interest by observing the best corporate governance practices and taking into consideration all of the stakeholders relating to its business activity and institutional reality. For this reason, it promotes a framework of relations based on continuous dialogue and active listening, and on the principles of transparency and equal treatment, which allows for these groups to become part of its successful business enterprise and for the building of strong ties with them that generate trust and forge a sense of belonging to a great company. In particular, Iberdrola has been a pioneer in boosting the effective engagement of its shareholders in corporate life, and believes it of fundamental importance to maintain its leadership in this area.

5. As a result of this on-going dialogue with its stakeholders, and aware of the unavoidable social and environmental impact of all of its activities, Iberdrola has accepted the mandate of its shareholders, expressed through various bylaw reforms, to maximise its contribution to the progress of the communities in which it is present, including the most fragile or vulnerable groups.

6. Thus, based on this mandate, Iberdrola frames all of its business action within its commitment to a mission, a vision and values and within the context of respect for Human Rights, promoting initiatives that contribute to achieving a more just, egalitarian and healthy society, and particularly the achievement of the Sustainable Development Goals, especially those relating to universal access to electricity and the fight against climate change, but also others like gender equality, the empowerment of women and the protection of disadvantaged groups. Ultimately, it seeks to maximise its social dividend or shared value, which is the sum of all the economic and social values that a company generates through its activity, within the environment in which it does business.

II. The Iberdrola Group

7. Iberdrola leads as the holding company of a group of companies present in Spain, Portugal, the United Kingdom, the United States of America, Mexico and Brazil, among other countries, structured into three levels that differentiate the functions of strategy, supervision and control of the overall group (attributed to the holding company), those of organisation and coordination of the businesses of each country (corresponding to the country subholding companies), and those of day-to-day administration and effective management of each of such businesses (the purview of the head of business companies).

8. The corporate and governance structure of the Iberdrola group operates jointly with the Business Model, which allows the global integration of the businesses, seeks to achieve maximum operational efficiency of the various units, and ensures the dissemination, implementation and monitoring of the general strategy, the basic management guidelines established for each of them, and best practices.

The Business Model combines a decentralised decision-making structure, inspired by the principle of “subsidiarity”, with robust coordination mechanisms that ensure the global integration of all of the group’s businesses, above all based on an effective checks-and-balances system, which prevents management power from being centralised within a single governance body or a single person.

9. The Iberdrola group has minority shareholders not only within the holding company, but also within certain country subholding companies, like the Brazilian company Neoenergia, S.A. and the U.S. company Avangrid, Inc., the latter of which is listed on the secondary securities market. Within a special framework of strengthened autonomy enjoyed by the listed country subholding companies, Iberdrola ensures that the legitimate interests of the shareholders of said companies have sufficient protection and adequately co-exist with the general interests of the Group and with the interests of the shareholders of the holding company.
III. The Corporate Philosophy of Iberdrola and its Corporate Governance System.

10. Iberdrola develops its strategy in accordance with a mission, a vision and certain values to which all of the companies within the Group are committed, the common denominator of which is a commitment to the sustainable creation of value, leadership in the performance of all its activities, and maximisation of the social dividend.

11. The mission, the vision and the values of Iberdrola take specific shape in the Corporate Governance System, i.e. the Company’s internal rules, which, in exercising the corporate autonomy supported by law, and subject to a process of constant review for the continuous inclusion of best practices, is established to ensure the best compliance with the social contract that binds its shareholders, and particularly the corporate object and interest within which they are defined.

12. The Corporate Governance System is based on the By-Laws, a norm approved by the shareholders at the General Shareholders’ Meeting, which represents the maximum expression of the corporate autonomy of Iberdrola and constitutes the primary source of its own system of rules.

The By-Laws, and particularly the first title thereof, contains the definition of Iberdrola’s enterprise, the particular concept of the corporate interest that must govern the conduct of its management bodies, the mandate of its shareholders to maximise the social dividend, and the determination of the essential basis and of the most significant foundations and aspects of its business, corporate and institutional organisation.

13. The basic principles appearing in the preliminary title of the By-Laws are further developed in the Mission, Vision and Values of the Iberdrola group, the corporate philosophy of the Group and on which Iberdrola’s enterprise is based, which informs the organisation and conduct of the Group, which governs the day-to-day activities of which it is comprised, and which guides its strategy and all of its conduct.

The Mission of the Group is based on the sustainable creation of value in the performance of all of its activities. This Mission is complemented by the Vision, which reflects the Group’s desire to promote a better future, decisively boosting social well-being through the provision of a service as essential as the efficient, safe, sustainable and environmentally-friendly supply of electric energy, a common good for present and future generations, to a growing number of people and communities.

The Mission and Vision of the Iberdrola group is built on the basis of certain specific Values, including respect for Human Rights and universal ethical principles, transparency, good governance and institutional loyalty, development of the human team, promotion of a sense of belonging among the various stakeholders connected to Iberdrola, and ultimately, engagement with and commitment to the social reality of the time, the demands and circumstances thereof, its challenges, and its opportunities.

14. The Corporate Governance System includes another three regulatory foundations in addition to the By-Laws and the Mission, Vision and Values of the Iberdrola group: (i) the Corporate Policies; (ii) the governance rules of the corporate decision-making bodies and of other internal committees, and (iii) the rules relating to compliance.

15. Within the framework of the law and the By-Laws, the Corporate Policies define the directives and guidelines for conduct in which the Mission, Vision and Values of the Iberdrola group take shape and which guide the conduct of the shareholders, directors, officers and other professionals of the group. These policies, inspired by the business and ethical ideas, principles and values making up Iberdrola’s ideological and axiological foundation, contain the detailed guidelines and directives on conduct ensuring that the group’s strategy is consistent therewith, reducing discretionality in management and favouring the strengthening and enrichment of the Iberdrola group’s reality and identity. The Corporate Policies are grouped into three categories: (i) corporate governance and regulatory compliance, (ii) risks, and (iii) social responsibility.

16. The governance rules of the corporate decision-making bodies and of other internal committees include regulations, codes and rules that establish, among other things, the composition, powers and rules of operation thereof, as well as the duties and obligations of their members.

17. Finally, the block relating to Compliance gathers together the codes, regulations and procedures that further develop and configure Iberdrola’s Compliance System, and that proactively meet not only legal demands and requirements, but also those arising from the Code of Ethics itself, with which Iberdrola has endowed itself to fully commit to the values exemplified by its enterprise and its raison d’être.

18. Consistent with the structure described above, the Corporate Governance System is formally ordered into five books: Book One, which contains the By-Laws; Book Two, which contains the Mission, Vision and Values
of the Iberdrola group, Book Three, which groups together the Corporate Policies, Book Four, which contains the governance rules of the corporate decision-making bodies and other internal committees; and finally Book Five, which articulates the Compliance System.

19. Iberdrola aspires for its Corporate Governance System to enjoy the highest possible levels of compliance and dissemination, particularly taking advantage of the most advanced, environmentally-friendly technologies. Therefore, the full text or a summary of the documents that make up the Company’s Corporate Governance System is available on the Company’s corporate website (www.iberdrola.com). They are also published in accessible formats so that they can be consulted using the most frequently utilised electronic devices, including smart phones, tablets and computers.

20. In order to further improve and continually update the Corporate Governance System, Iberdrola draws on the external advice of the law firms “CMS Albiñana & Suarez de Lezo”, “Cortés, Abogados”, “Garrigues” and “Uría Menéndez”.

In Bilbao, on 12 April 2018
The Board of Directors of Iberdrola, S.A.
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24 July 2018
Preamble

Organised in 1901, Iberdrola represents a business model built on a mission, a vision, and certain values, the common denominator and main engine of which is a commitment to the sustainable creation of value in the performance of all of its activities for society, its professionals, its customers, its suppliers, its shareholders, and its other stakeholders.

These By-Laws, approved by the shareholders acting at a General Shareholders’ Meeting of the Company, the highest governance body through which the legitimate owners of Iberdrola express their will, constitute the core of its internal rules, and pursuant to the corporate autonomy recognised by law, governs the company contract that all shareholders accept upon acquiring their status as such, that binds them in their capacity as such, and that lays the foundations and principles determining the governance of Iberdrola as the controlling entity of a multinational entity group.

The By-Laws go much beyond the content required by law and what is customary for listed companies in that they define in their preliminary title the foundations of Iberdrola as an independent, open holding company of an international industrial group, which is decentralised and committed to a mission, a vision, and values, as well as a clear strategy to maximise its social dividend. The By-Laws also recognise the fact that Iberdrola, due to its size and importance, constitutes an institutional reality, a focal point for many stakeholders and for the economic and social environment in which it does business.

The text thereof is inspired by the Mission, Vision, and Values of the Iberdrola group, which governs the day-to-day activities of the Company, channels its leadership role in its various areas of activity, drives its strategy of maximising the social dividend, and guides the ethical behaviour of all personnel participating in the daily construction of Iberdrola’s business enterprise.

The Mission of the Group is based on the sustainable creation of value in carrying out all of its activities, as the leading multinational group in the energy sector providing a quality service through the use of environmentally-friendly energy sources, which engages in innovation, leads the process of digital transformation in its area of activity, and is committed to the fight against climate change through all of its business activities, with a social dividend and the generation of employment and wealth, considering its employees to be a strategic asset. Along these lines, Iberdrola fosters their development, training, and measures of reconciliation, favouring a good working environment and equal opportunity. All of the foregoing is within the framework of its strategy of social responsibility and compliance with tax rules.

The Mission is complemented, on the one hand, by a Vision contemplating an ambition to play the lead towards a better future, sustainably creating value with a quality service for the people and for the communities in which the Group does business, and on the other, by certain specific Values, which include the sustainable creation of value, respect for ethical principles, good corporate governance and transparency, development of its human resources, social commitment, encouragement of the stakeholders’ sense of belonging, safety and reliability of supply, quality, innovation, respect for the environment, customer focus, and institutional loyalty. In turn, these By-Laws are the basis on which the Company has built its Corporate Governance System, a regulatory structure that ensures the effective articulation of the principles set out in the Mission, Vision, and Values of the Iberdrola group in the form of a true regulatory system that is subject to continuous review and update in order to immediately conform to regulatory changes and to the most stringent international standards.

The Corporate Governance System makes up a business model that combines a decentralised decision-making structure, inspired by the principle of subsidiarity, with robust coordination mechanisms ensuring the global integration of all of the Group’s businesses, all on the basis of an effective system of checks and balances that prevents the centralisation of power within a single governance body or a single person.

To the extent applicable thereto, Iberdrola’s By-Laws and the other provisions of its Corporate Governance System bind its shareholders, directors, officers and other professionals, as well as any persons validly linked thereto on a general basis. All have the duty to comply with them, as well as the right to demand compliance therewith.
PRELIMINARY TITLE. IBERDROLA, S.A. AND ITS GROUP

Article 1. Company Name
The name of the company is IBERDROLA, S.A. (the “Company”).

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

Article 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 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 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 carry out the function of organisation and strategic coordination in those countries and at those businesses decided by the Company’s Board of Directors. These entities group together equity stakes in the energy head of business companies within the various countries in which the Group 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 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 of the Group’s businesses within one or more countries, and of the day-to-day control thereof.
3. All companies of the Group share the same corporate interest as well as identical corporate values and ethical principles.

Article 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 services, as well as other gas storage, regasification, transportation, or distribution 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 6. Corporate Interest**

The Company conceives of the corporate interest as the common interest of all shareholders of an independent company focused on the sustainable creation of value by engaging in the activities included in its corporate object, taking into account other stakeholders related to its business activity and its institutional reality, in accordance with the Mission, Vision, and Values of the Iberdrola group.

**Article 7. Social Dividend**

1. The Company conceives of the social dividend as the sustainable creation of value for all stakeholders affected by the activities of the Group in carrying out its businesses, the advancement of business communities which the Company participates in and leads, both from the economic viewpoint and from the perspective of business ethics, the promotion of equality and justice, the encouragement of innovation and protection of the environment, as well as through the generation of quality employment, its strategy of social responsibility, and its effort in the fight against climate change.

2. The Company is conscious of the importance of the social dividend for all of the communities in which the Group is present. Maximisation of the social dividend and the Company's commitment to the sustainable creation of value, ethical principles, transparency and good corporate governance, the development of its human resources, social commitment, a sense of belonging, safety and reliability, quality, innovation, protection of the environment, customer focus, and institutional loyalty are key values that the Board of Directors takes into account in order to define the strategy of the Group.

**Article 8. 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, which is configured in accordance with applicable law in the exercise of corporate autonomy supported thereby and applies to the entire Group. It is intended to ensure through rule-making the best development of the corporate contract that binds its shareholders, and especially the corporate object and the corporate interest, as defined in the preceding articles.

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 governance rules of the corporate decision-making bodies and other internal committees, and the codes, regulations, and procedures making up and elaborating upon the Company's regulatory compliance system.

4. The Mission, Vision, and Values of the Iberdrola group constitutes the corporate philosophy of the Company, contains the ideological and axiological foundation upon which its business enterprise is based, and expresses a desire to optimise its 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 for the economic and social environment in which its companies do business.

5. 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.

6. The Board of Directors has approved a Code of Ethics that further develops the bylaw-mandated commitment of the Company to the Mission, Vision, and Values of the Iberdrola group and ethical principles.

7. Full or summarised versions of the rules making up the Corporate Governance System can be viewed on the Company’s corporate website.

8. 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 Websites, and Presence on Social Media

1. The Company 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. 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.

TITLE I. SHARE CAPITAL AND SHAREHOLDERS

Chapter I. Share Capital and Shares

Article 10. Share Capital
The share capital is 4,798,221,750.00 euros, represented by 6,397,629,000 ordinary shares having a nominal value of 0.75 euro each, belonging to a single class and series, which are fully subscribed and paid up.

Article 11. 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 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. The shareholders also participate indirectly, through the Company, in the other companies of the Group.
2. The Company shall acknowledge as a shareholder any party that appears entitled thereto as owner in the entries of the corresponding book-entry register.
3. 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. Shareholder Engagement
The Company shall foster continuous and appropriate 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.
Article 14. 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.

TITLE II. GENERAL SHAREHOLDERS’ MEETING

Article 15. General Shareholders’ Meeting

1. The shareholders, meeting at a General Shareholders’ Meeting, shall decide, by the majorities required in each case and in accordance with law and the Corporate Governance System, on the matters within their purview.

2. Resolutions that are duly adopted at a General Shareholders’ Meeting shall bind all shareholders, including shareholders who are absent, dissenting, abstain from voting, or lack the right to vote, without prejudice to the rights they may have to challenge such resolutions.

3. The General Shareholders’ Meeting is governed by the provisions of law, these By-Laws, the Regulations for the General Shareholders’ Meeting, other applicable provisions of the Corporate Governance System, and other implementing rules approved by the Board of Directors within its purview.

Article 16. Shareholder Participation

The Board of Directors shall adopt appropriate measures to encourage maximum participation of the shareholders at the General Shareholders’ Meeting, including, if appropriate, the payment of attendance bonuses pursuant to a predefined and public policy.

Article 17. Powers of the Shareholders Acting at a General Shareholders’ Meeting

1. The shareholders acting at a General Shareholders’ Meeting shall decide the matters assigned thereto by law, the Regulations for the General Shareholders’ Meeting, or other rules of the Corporate Governance System, and particularly regarding the following:

   a) The approval of the annual accounts, the allocation of profits or losses, and the approval of corporate management.

   b) The appointment, re-election, and removal of directors, as well as the ratification of directors designated by interim appointment to fill vacancies.

   c) The approval of the director remuneration policy.

   d) The approval of the establishment of systems for remuneration of the Company’s directors consisting of the delivery of shares or of rights therein or remuneration based on the value of the shares.

   e) Releasing the directors from the prohibitions arising from the duty of loyalty, when authorisation is attributed by law to the shareholders acting at a General Shareholders’ Meeting, as well as from the obligation not to compete with the Company.

   f) The appointment, re-election, and removal of the auditors.

   g) The amendment of these By-Laws.

   h) An increase or reduction in share capital.

   i) The delegation to the Board of Directors of the power to increase share capital, in which case it may also grant thereto the power to exclude or limit pre-emptive rights, upon the terms established by law.

   j) The delegation to the Board of Directors of the power to carry out an increase in capital already approved by the shareholders at a General Shareholders’ Meeting, within the periods set forth by law, indicating the date or dates of execution and establishing the conditions for the increase as to all matters not provided for by the shareholders. In this case, the Board of Directors may make use of such delegation in whole or in part, or may refrain from using it, in view of market conditions or the condition of the Company itself, or of particularly relevant facts or circumstances that justify such decision, and shall report thereon to the shareholders at the first General Shareholders’ Meeting held after the end of the period granted for the use of such delegation.

   k) The exclusion or limitation of pre-emptive rights.

   l) The authorisation for the derivative acquisition of the Company’s own shares.
m) The transformation, merger, split-off, or overall assignment of assets and liabilities, and the transfer of the registered office abroad.

n) The dissolution of the Company and the appointment and removal of the liquidators.

o) The approval of the final liquidating balance sheet.

p) The issuance of debentures and other negotiable securities and the delegation to the Board of Directors of the power to issue them, as well as the power to exclude or limit preemptive rights, upon the terms established by law.

q) The exercise of derivative liability actions against directors, auditors, and liquidators.

r) The approval and amendment of the Regulations for the General Shareholders’ Meeting.

s) The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.

t) The acquisition, transfer, or contribution of key assets from or to another company.

u) The approval of transactions having an effect equivalent to liquidation of the Company.

2. The shareholders at a General Shareholders’ Meeting shall also decide on any matter that the Board of Directors or shareholders submit for the consideration thereof, upon the terms and with the requirements established by law and the Company’s Corporate Governance System.

Article 18. Call to the General Shareholders’ Meeting

1. The General Shareholders’ Meeting must be formally called by the Board of Directors through an announcement published as much in advance as required by law.

2. The announcement of the call to meeting shall be disseminated through the following media, at a minimum:
   a) The Official Gazette of the Commercial Registry (Boletín Oficial del Registro Mercantil) or one of the more widely circulated newspapers in Spain.
   b) The website of the National Securities Market Commission (Comisión Nacional del Mercado de Valores).
   c) The Company’s corporate website.

Article 19. Shareholders’ Right to Receive Information

1. From the date of publication of the call to the General Shareholders’ Meeting through and including the fifth day prior to the date set for the meeting to be held on first call, the shareholders may request in writing the information or clarifications that they deem are required, or ask the written questions that they deem relevant, regarding (i) the matters contained in the agenda for the meeting; (ii) information accessible to the public that has been provided by the Company to the National Securities Market Commission since the holding of the last General Shareholders’ Meeting; and (iii) the audit report.

2. During the course of the General Shareholders’ Meeting, the shareholders may verbally request the information or clarifications that they deem appropriate regarding the matters set forth in the preceding section.

3. The Board of Directors shall be required to provide the information requested pursuant to the two preceding sections in the form and within the periods set forth in the law, in these By-Laws, and in the Regulations for the General Shareholders’ Meeting, except in cases in which it is unnecessary for the protection of shareholder rights, there are objective reasons to believe that it might be used for ultra vires purposes, or that publication of the information might prejudice the Company or related companies. The information requested may not be denied if the request is supported by shareholders representing at least twenty-five per cent of the share capital.

4. The announcement of the call to the General Shareholders’ Meeting shall state the means whereby any shareholder may obtain from the Company, without charge and on an immediate basis, the documents that must be submitted for the approval of the shareholders at such General Shareholders’ Meeting, as well as, if applicable, the management report and the audit report.

5. The Company shall make available to its shareholders the information and documentation required by the provisions of law and the Corporate Governance System.

Article 20. Place of the Meeting

The General Shareholders’ Meeting shall be held at the place indicated in the call to meeting within the municipal territory of Bilbao.

Article 21. Establishment of a Quorum for the General Shareholders’ Meeting

1. The General Shareholders’ Meeting shall be validly established with the minimum quorum required by law, taking into account the matters appearing on the agenda.
2. Notwithstanding the provisions of the preceding section, shareholders representing two-thirds of subscribed share capital with voting rights must be in attendance at the first call to the General Shareholders’ Meeting, and shareholders representing sixty per cent of such share capital must be in attendance at the second call, in order to adopt resolutions regarding a change in the object of the Company, transformation, total split-off, dissolution of the Company, and the amendment of this section 2.

3. The absence of shareholders occurring once a quorum for the General Shareholders’ Meeting has been established shall not affect the validity of the meeting.

4. If the attendance of shareholders representing a particular minimum percentage of share capital or the consent of specific interested shareholders is required pursuant to law or the Corporate Governance System in order to adopt a resolution regarding one or more items on the agenda, and such percentage is not reached or such shareholders are not present in person or by proxy, the shareholders at the General Shareholders’ Meeting shall limit themselves to deliberating and deciding on those items on the agenda that do not require such percentage of share capital or the consent of such shareholders.

Article 22. Right to Attend

1. The holders of at least one voting share may attend the General Shareholders’ Meeting and take part in deliberations thereof, with the right to be heard and to vote.

2. The General Shareholders’ Meeting may be attended by going to the place where the meeting is held or, if so indicated in the call to meeting, to other places provided for such purpose by the Company and that are connected with the principal meeting place by systems that allow recognition and identification of the parties attending, permanent communication among the attendees regardless of their location, and participation and voting, all in real time. Attendees at any of such places shall be considered to be attendees at the same individual meeting, which shall be deemed to have been held at the principal location thereof.

3. In order to exercise the right to attend, shareholders must cause the shares to be registered in their name in the corresponding book-entry register at least five days prior to the day on which the General Shareholders’ Meeting is to be held.

4. The chair of the General Shareholders’ Meeting may authorise the attendance of officers, employees, and other persons related to the Company. The chair may also grant access to the media, to financial analysts, and to any other person the chair deems appropriate, as well as authorise the simultaneous or delayed broadcast thereof, although the shareholders acting thereat may revoke such authorisation.

Article 23. Right to Proxy Representation

1. All shareholders having the right to attend may be represented at the General Shareholders’ Meeting by proxy through another person, whether or not such person is a shareholder, by complying with the requirements of law and the Corporate Governance System.

2. Proxies must be given in writing or by postal or electronic correspondence, in which case the provisions of article 27 below for the casting of absentee votes shall apply to the extent applicable.

3. Proxy and voting instructions of shareholders acting through brokers, representatives, or depositaries shall be governed by the provisions of law and the Corporate Governance System.

4. In cases of absence of identification of the proxy-holder, absence of express instructions for the exercise of voting rights, submission of items not included on the agenda of the call to the General Shareholders’ Meeting, or a conflict of interest affecting the proxy-holder, the rules established in this regard in the Corporate Governance System shall apply.

5. The chair of and the secretary for the General Shareholders’ Meeting, from the constitution thereof, and the persons acting by delegation from either of them, shall be responsible for verifying the identity of the shareholders and their representatives, verifying the ownership and status of their rights, and recognising the validity of the attendance, proxy, and absentee voting card or the instrument evidencing attendance or representation by proxy.

Article 24. Presiding Committee, Chair of, and Secretary for the General Shareholders’ Meeting

1. The Presiding Committee (Mesa) of the General Shareholders’ Meeting shall be made up of the chair of and the secretary for the General Shareholders’ Meeting and the other members of the Board of Directors present at the meeting. Without prejudice to other powers that may be assigned thereto by these By-Laws or the Corporate Governance System, the Presiding Committee shall assist the chair of the General Shareholders’ Meeting in carrying out the duties thereof.
2. The chairman of the Board of Directors or, in the absence thereof, the vice-chair, shall act as chair of the General Shareholders’ Meeting. If there are several vice-chairs, they shall act in the order set forth in article 42.6 below. In the absence of all of the foregoing, the person appointed by the Presiding Committee shall act as chair of the General Shareholders’ Meeting.

3. The secretary of the Board of Directors or, in the absence thereof, the deputy secretary, shall act as secretary for the General Shareholders’ Meeting. If there are several deputy secretaries, the order set forth in article 44.2 below shall apply. In the absence of all of the foregoing, the person appointed by the Presiding Committee shall act as secretary for the General Shareholders’ Meeting.

**Article 25. List of Attendees**

1. Prior to beginning with the agenda for the meeting, a list of attendees shall be prepared that sets forth the nature or representation of each attendee and the number of shares they own or represent by proxy.

2. Questions or claims arising with respect to preparation of the list of attendees and compliance with the requirements for a valid quorum at the General Shareholders’ Meeting shall be resolved by the chair thereof.

**Article 26. Deliberations and Voting**

1. The chair of the General Shareholders’ Meeting shall: direct the meeting; accept new proposed resolutions relating to matters on the agenda; organise the deliberations, granting the floor to shareholders who so request it and taking the floor away or refusing to grant it when the chair deems that a particular matter has been sufficiently debated, is not included in the agenda, or hinders the progress of the meeting; indicate the time and establish, pursuant to the Regulations for the General Shareholders’ Meeting, the system or procedure for voting; decide on the suspension or limitation of political rights, especially the voting rights attaching to shares pursuant to law and these By-Laws; approve the polling and vote counting system; proclaim the voting results; temporarily suspend or propose an extension of the General Shareholders’ Meeting; close the meeting; and, in general, exercise all powers, including those of order and discipline, that are required to properly hold the proceedings.

2. The chair of the General Shareholders’ Meeting may entrust the management of the meeting to a director the chair deems appropriate, or to the secretary for the General Shareholders’ Meeting, who shall carry out this duty on behalf of the chair, with the chair having the right to retake it at any time. In the event of temporary absence or supervening incapacity of the chair or the secretary for the General Shareholders’ Meeting, the appropriate persons under sections 2 and 3 of article 24, respectively, shall assume the duties thereof.

3. Proposed resolutions shall be voted upon by the shareholders at the General Shareholders’ Meeting pursuant to the provisions of the following articles and the Regulations for the General Shareholders’ Meeting.

**Article 27. Absentee Voting**

1. Shareholders may cast their absentee vote on proposed resolutions relating to the items on the agenda of the call to meeting by complying with the requirements of law and the Corporate Governance System.

2. Shareholders that have cast their absentee vote shall be deemed present for purposes of the establishment of a quorum for the General Shareholders’ Meeting.

3. Absentee votes must be received by the Company before 24:00 on the day immediately prior to the day set for the holding of the General Shareholders’ Meeting upon first call or upon second call, as applicable.

4. The Board of Directors is authorised to develop the rules, means, and procedures for absentee voting, including applicable rules on priority and conflict. Specifically, the Board of Directors may reduce the advance period set forth in section 3 above for receipt by the Company of absentee votes, and accept and authorise the chair of and the secretary for the General Shareholders’ Meeting and the persons acting by delegation therefrom to accept, any absentee votes received after such period, to the extent permitted by the means available.

5. The chair of and the secretary for the General Shareholders’ Meeting, from the constitution thereof, and the persons acting by delegation from either of them, shall be responsible for verifying and recognising the validity of the absentee votes cast in accordance with the provisions set forth in the Corporate Governance System and the rules established by the Board of Directors in implementation thereof.

6. Remote attendance at the General Shareholders’ Meeting by data transmission and simultaneous means and the casting of electronic absentee votes during the course of the General Shareholders’ Meeting may be allowed if provided for in the Regulations for the General Shareholders’ Meeting, subject to the requirements set forth therein.
Article 28. Conflicts of Interest
1. A shareholder may not exercise the shareholder’s right to vote at a General Shareholders’ Meeting, either in person or by proxy, with respect to the adoption of a resolution to:
   a) Relieve the shareholder of an obligation or grant the shareholder a right.
   b) Provide the shareholder with any kind of financial assistance, including the provision of guarantees in favour thereof.
   c) Release the shareholder, if a director, from obligations arising from the duty of loyalty established in accordance with the provisions of law.
2. The provisions of the preceding section shall also apply when the resolutions affect, in the case of an individual shareholder, the entities or companies controlled thereby, and in the case of corporate shareholders, the entities or companies belonging to their group (in the sense indicated in article 29.3 below), even if these latter companies or entities are not shareholders.
3. If the shareholder subject to any of the voting prohibitions above attends the General Shareholders’ Meeting, such shareholder’s shares shall be deducted from those in attendance for purposes of determining the number of shares upon which the majority needed for the adoption of the relevant resolutions shall be calculated.

Article 29. Approval of Resolutions
1. Except in cases in which the law or these By-Laws require a greater majority, the shareholders acting at a General Shareholders’ Meeting shall adopt resolutions by simple majority of the shareholders present in person or by proxy, with a resolution being deemed adopted when it receives more votes in favour than against. Each voting share that is represented in person or by proxy at the General Shareholders’ Meeting shall give the right to one vote.
2. No shareholder may cast a number of votes greater than those corresponding to shares representing ten (10 %) per cent of share capital, even if the number of shares held exceeds such percentage of the share capital. This limitation does not affect votes corresponding to shares with respect to which a shareholder is holding a proxy as a result of the provisions of article 23 above, provided, however, that with respect to the number of votes corresponding to the shares of each shareholder represented by proxy, the limitation set forth above shall apply.
3. The limitation set forth in the preceding section shall also apply to the maximum number of votes that may be collectively or individually cast by two or more shareholders that are entities or companies belonging to the same group. Such limitation shall also apply to the number of votes that may be cast collectively or individually by an individual and the shareholder entity, entities, or companies controlled by such individual. A group shall be deemed to exist under the circumstances provided by law, and also when a person controls one or more entities or companies.
4. Shares deprived of voting rights pursuant to the application of the preceding sections shall be deducted from the shares in attendance at the General Shareholders’ Meeting for purposes of determining the number of shares upon which the majorities needed for the approval of resolutions by the shareholders at a General Shareholders’ Meeting shall be calculated.

TITLE III. MANAGEMENT OF THE COMPANY
Chapter I. General Provisions
Article 30. Management and Representation of the Company
1. The Company is managed and represented by the Board of Directors, its chairman, and, if applicable and if so approved by the Board of Directors, by an executive committee called the Executive Committee (Comisión Ejecutiva Delegada) and, also if so decided by the Board of Directors, by one or more chief executive officers (consejeros delegados).
2. Each of these bodies shall have the powers set forth in these By-Laws, the Regulations of the Board of Directors, and other applicable provisions of the Corporate Governance System, without prejudice to the provisions of law.
Chapter II. Board of Directors

Article 31. Regulation of the Board of Directors
The Board of Directors shall be governed by the provisions set forth in the law, the By-Laws, the Regulations of the Board of Directors, and the other applicable provisions of 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 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, its shareholders, and 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 33. Composition of the Board of Directors and Appointment of Directors
1. The Board of Directors shall be composed of a minimum of nine and a maximum of fourteen directors, who shall be appointed or ratified by the shareholders acting at a General Shareholders’ Meeting, subject to the provisions of law and the requirements established by the Corporate Governance System.
2. The determination of the number of directors shall be within the purview of the shareholders acting at a General Shareholders’ Meeting, for which purpose the shareholders may establish such number either by express resolution or indirectly through the filling or non-filling of vacancies or the appointment of new directors within the aforesaid minimum and maximum numbers.
3. The following may not be appointed as directors or as individuals representing a corporate director:
   a) Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or senior officers thereof, or such persons, if any, as are proposed by them in their capacity as shareholders.
   b) Individuals or legal entities serving as directors in more than three companies with shares trading on domestic or foreign stock exchanges.
   c) Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets, or other industries in which the Group operates.
   d) Individuals or legal entities that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the Group.
4. The appointment, ratification, re-election, and removal of directors must comply with the provisions of law and the Corporate Governance System. Resolutions proposed to the shareholders at a General Shareholders’ Meeting regarding the appointment, ratification, and re-election of directors must be accompanied by a report providing the rationale for the proposal.

**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 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.
   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 such body, 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 Committee.

**Article 35. Meetings of the Board of Directors**

1. The Board of Directors shall meet with the frequency that the chairman of the Board of Directors deems appropriate, and at least the number of times and in the cases provided for by law and the Regulations of the Board of Directors. Meetings shall take place at the Company’s registered office or at the place, in Spain or abroad, indicated in the call to meeting, which shall be made in accordance with the provisions of law and the Corporate Governance System.

2. Without prejudice to the foregoing, the Board of Directors shall be deemed to have validly met without the need for a call to meeting if all of the directors are present in person or by proxy and unanimously agree to hold the meeting and to the items of the agenda to be dealt with thereat.

**Article 36. Quorum for the Meeting and Majorities Required to Adopt Resolutions**

1. The establishment of a quorum within the Board of Directors and the adoption of resolutions thereby shall require the attendance at the meeting, in person or by proxy, of a majority of the directors.

2. All of the directors may cast their vote and give their proxy in favour of another director, provided, however, that non-executive directors may only do so in favour of another non-executive director. The proxy granted shall be a special proxy for the Board meeting in question and may be communicated by any means allowing for the receipt thereof.
3. The chairman of the Board of Directors, as the person responsible for the efficient operation thereof, shall stimulate the debate and active participation of the directors during its meetings, safeguarding their freedom to make decisions and express their opinion.

4. Unless higher majorities are provided for by law or the Corporate Governance System, resolutions shall be adopted by absolute majority of votes cast in person or by proxy at the meeting. In the event of a tie, the chairman of the Board of Directors shall have the tie-breaking vote.

5. The chairman of the Board of Directors may invite to meetings all those persons who might contribute to improving the information provided to the directors.

Chapter III. Committees and Positions within the Board of Directors

Article 37. Committees of the Board of Directors

1. The Board of Directors must have an Audit and Risk Supervision Committee, an Appointments Committee, and a Remuneration Committee (or a single Appointments and 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 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, if any, or by the lead 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 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 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 a single Appointments and Remuneration Committee, in which case reference in these By-Laws to the Appointments Committee and the Remuneration Committee shall be deemed made to the same committee), which shall be internal informational and consultative bodies without executive duties, with information, advisory, and proposal-making powers within 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 Committee, from among the non-executive directors, and the majority of their respective members must be classified as independent.

3. The Board of Directors shall appoint the chairs of both committees from among the independent directors forming part of each of them, as well as their secretaries, who need not be 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 their own regulations and in any event those established by law as well as 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 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 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 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 the 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 debate.
   b) To chair the General Shareholders’ Meeting and exercise thereat the duties attributed thereto by the Corporate Governance System.
   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 of the committees thereof, without prejudice to the reporting powers belonging to the Appointments Committee.

d) To ensure, with the collaboration of the secretary of the Board of Directors, that the directors receive in advance information sufficient to deliberate on the items on the agenda.

e) To stimulate the debate and active participation of the directors during meetings, safeguarding their freedom to take positions.

5. The Board of Directors, upon a proposal of its chairman and after a report from the Appointments 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 disqualification.

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 lead independent director; in the absence thereof, by the director with the longest length of service in office, and in case of equal lengths, by the oldest.

7. If 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 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 disqualification 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 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 disqualification. The same procedure shall be followed to decide the removal of the secretary and, if applicable, each deputy 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 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:
   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.
   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.
   c) Coordinate, gather, and reflect the concerns of the non-executive directors.
   d) Direct the periodic evaluation of the chairman of the Board of Directors and lead any process for the succession thereof.

5. The lead independent director may also maintain contacts with shareholders when so decided by the Board of Directors.

Chapter IV. Rules Applicable to Directors

Article 46. General Duties of Directors
1. The directors must carry out their office and comply with the duties imposed by law and the Corporate Governance System with the diligence of a prudent businessperson, taking into account the nature of the office and the duties attributed to each of them. The directors must also carry out their office with the loyalty of a faithful representative, acting in good faith and in the best interest of the Company.

2. The Regulations of the Board of Directors shall elaborate upon the specific obligations of directors stemming from the duties established by law, and particularly those of confidentiality, non-competition, and loyalty, with special focus on conflict of interest situations.

3. The Company may obtain an insurance policy that covers the civil liability of the directors in the performance of their duties.

Article 47. Term of Office
1. Directors shall serve in their position for a term of four years, so long as the shareholders acting at a General Shareholders’ Meeting do not resolve to remove them and they do not resign from their position.

2. Directors must submit their resignation from the position and formally resign from their position upon the occurrence of any of the instances of disqualification, lack of competence, structural and permanent conflict of interest, or prohibition against performing the duties of director provided by law or the Corporate Governance System.

3. Directors may be re-elected to one or more terms of four years.

Article 48. Director Remuneration
1. The Company shall annually allocate as an expense an amount equal to a maximum of two per cent of consolidated group profits obtained during the preceding financial year for the following purposes:
   a) To remunerate the directors, both for their status as such as well as for any executive duties, based on the offices held, and dedication to and attendance at meetings of the corporate decision-making bodies.
   b) To endow a fund to meet the obligations of the Company regarding pensions, the payment of life insurance premiums, and the payment of severance compensation in favour of current and former directors.

2. In particular, in their status as such, the directors shall receive remuneration consisting of a fixed annual amount, attendance fees, and appropriate coverage of risk benefits (death and disability). In the case of termination prior to the end of the period for which they were appointed, non-executive directors who are not proprietary directors shall have the right to receive a severance payment for non-competition unless their removal is due to a breach of the duties of director attributable thereto or to the sole decision thereof.

3. The amount, subject to the maximum limit of two per cent, may only accrue if profits for the preceding financial year are sufficient to cover legal and other mandatory reserves and if there has been an issuance to the shareholders of a dividend of at least four per cent of the share capital charged to the results of such financial year.
4. Independently of the provisions of the preceding sections, and subject always to the approval of the shareholders at a General Shareholders’ Meeting, the remuneration of directors may also consist of the delivery of shares or options thereon, as well as a payment based on the value of the Company’s shares.

Article 49. Powers of Information and Inspection
1. A director shall have the broadest powers to obtain information regarding any aspect of the Company, to examine its books, records, documents, and other background information on corporate transactions, to inspect its facilities, and to communicate with the senior officers of the Company.
2. The exercise of the aforementioned powers shall be channelled through the secretary of the Board of Directors, who shall act on behalf of the chairman thereof pursuant to the provisions of the Corporate Governance System.

TITLE IV. BREAKTHROUGH OF RESTRICTIONS IN THE EVENT OF TAKEOVER BIDS

Article 50. Removal of Voting Limitations
The prohibition on voting for shareholders affected by conflicts established in article 28 above and the limitation on the maximum number of votes that may be cast by a single shareholder contained in sections 2 to 4 of article 29 above shall be deprived of effect upon the occurrence of the following circumstances:

a) when the Company is the target of a takeover bid aimed at the share capital as a whole; and
b) when, as a result of the takeover bid, an individual or a legal entity, or several of them acting in concert, acquire an interest equal to two-thirds of the voting share capital of the Company, provided the full consideration therefor consists only of cash; or, alternatively,
c) when, as a result of the takeover bid, an individual or a legal entity, or several of them acting in concert, acquire an interest equal to three-fourths of the voting share capital of the Company, provided that the consideration therefor consists, in whole or in part, of securities, without giving the recipient an alternative right to receive such consideration wholly in cash.

Article 51. Effectiveness of the Removal
1. The removal of the restrictions mentioned in the preceding article shall be effective from the date of publication of the result of the settlement of the bid in the Listing Bulletin (Boletín de Cotización) of the Bilbao Stock Exchange.
2. The directors of the Company shall have the power, as well as the duty, to take the actions necessary to formalise the amendment of the By-Laws referred to in section 1 above and to seek registration thereof with the Commercial Registry.

Article 52. Amendments to Articles in Title IV and Related Provisions
All resolutions intended to eliminate or amend the provisions contained in this Title, in article 28, and in sections 2 to 4 of article 29 above shall require the affirmative vote of three-fourths of the share capital represented in person or by proxy at a General Shareholders’ Meeting.

TITLE V. ANNUAL ACCOUNTS, DISSOLUTION, AND LIQUIDATION

Chapter I. Annual Accounts

Article 53. Financial Year and Preparation of Annual Accounts
1. The financial year shall commence on 1 January of each year and shall end on 31 December of each year.
2. Within the first three months of the year, the Board of Directors shall prepare the annual accounts, the management report, and the proposed allocation of profits or losses, and the consolidated annual accounts and management report for the previous financial year.

Article 54. Approval of Accounts and Allocation of Profits/Losses
1. The annual accounts of the Company and the consolidated annual accounts shall be submitted to the shareholders for approval at the General Shareholders’ Meeting.
2. The shareholders shall decide at the General Shareholders’ Meeting upon the allocation of profits or losses for the financial year in accordance with the approved annual accounts.
3. If the shareholders resolve to distribute a dividend, they shall decide the time and form of payment thereof. The establishment of these standards and of any others that may be required or appropriate to carry out the resolution may be delegated to the Board of Directors.
4. The shareholders may resolve at the General Shareholders’ Meeting that the dividend be paid totally or partially in kind, provided that the assets or securities to be distributed are homogeneous, they are admitted to trading on an official exchange at the time the resolution is made effective, or the Company duly guarantees the liquidity thereof within a maximum period of one year, and they are not distributed for a lesser value than the value set forth for them in the balance sheet of the Company. The same rule shall apply to a reduction in share capital due to a return of in-kind contributions.

5. The distribution of a dividend to shareholders shall be made in proportion to their paid-up share capital.

Chapter II. Dissolution and Liquidation of the Company

Article 55. Grounds for Dissolution
The Company shall be dissolved upon the occurrence of any of the events established by law.

Article 56. Liquidation of the Company
1. From the moment the Company declares itself to be in liquidation, the Board of Directors shall cease its duties and the directors shall become liquidators of the Company. They shall make up a collective body which shall be composed of an odd number of members. If necessary for such purpose, the director having the least length of service since appointment or, in case of equal length, the director who is younger, shall cease to hold office.

2. During the liquidation period, the provisions of these By-Laws governing the call to and holding of General Shareholders’ Meetings shall be complied with, and the shareholders shall be informed of the progress of the liquidation, so that the shareholders may adopt such resolutions as they deem appropriate.

3. All liquidating operations shall be carried out with due observance of the provisions of law.
Introduction to the Mission, Vision and Values of the Iberdrola group

1. Pursuant to the provisions of article 8 of its By-Laws, Iberdrola’s Corporate Governance System defines and includes its own internal system, which, in exercising the corporate autonomy supported by law, is established to ensure the best compliance with the social contract that binds its shareholders.

2. The By-Laws, the essential regulatory core of the System, and the other elements included therein (organic regulations, corporate policies, etc.) draw upon the Mission, Vision and Values of the Iberdrola group, the ideological and axiological basis that supports Iberdrola’s enterprise, guides its strategy and conduct, governs its day-to-day activities, and guides the ethical behaviour of the entire human team participating in the realisation thereof.

3. The Mission of the Group is based on the sustainable creation of value in the performance of all of its activities, for its shareholders, employees, customers and other stakeholders, and generally for citizens and society as a whole. The Mission is complemented by the Vision, which reflects the aspiration to be the leading multinational group in the energy sector promoting a better future by creating value sustainably with a high-quality service for people in an efficient, safe, sustainable and environmentally-friendly manner. The Mission and Vision of the Group are based on a firm commitment to certain values, including respect for generally accepted Human Rights, universal ethical principles and social responsibility, the sustainable creation of value, good governance, transparency, innovation, development of the human team and promotion of a sense of belonging among the various stakeholders connected to Iberdrola, and ultimately, engagement with and commitment to the social reality of the time, the demands and circumstances thereof, and its challenges and opportunities.

4. Thus conceived, the Mission, Vision and Values of the Iberdrola group contains the general principles informing the Corporate Governance System, constituting a principal and differentiated part thereof, and which is contained in Book II.

5. As a fundamental element of the Corporate Governance System, the Mission, Vision and Values of the Iberdrola group guides the conduct of the Company, directors, officers and other professionals of Iberdrola, to the extent applicable thereto, and generally any persons who may be validly connected thereto.

In Bilbao, on 12 April 2018
The Board of Directors of Iberdrola, S.A.
Mission, Vision, and Values of the Iberdrola group

19 July 2016
The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with the power to approve the mission, vision, and values of the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).

The goal of this regulation is to formalise the mission, vision, and values of the Group approved by the Board of Directors as an independent norm within the Corporate Governance System.

The mission, vision, and values of the Group constitute its corporate philosophy, inspire and take form in the Company’s By-Laws and in the other rules of the Corporate Governance System, govern the day-to-day activities thereof, channel its leadership role in all of its areas of activity, focus its strategy of maximising social dividends, and guide the ethical behaviour of all personnel participating in the daily construction of the Company’s corporate enterprise.

1. Mission of the Group

“Our mission is to create value sustainably in carrying out our activities for society, citizens, customers, employees, shareholders, and other stakeholders, as the leading multinational group in the energy sector providing a quality service through the use of environmentally-friendly energy sources, which engages in innovation, leads the process of digital transformation in its area of activity, and is committed to the fight against climate change through all of its business activities, with a social dividend and the generation of employment and wealth, considering its employees to be a strategic asset. Along these lines, we foster their development, training, and measures of reconciliation, favouring a good working environment and equal opportunity. All of the foregoing is within the framework of our strategy of social responsibility and compliance with tax rules.”

2. Vision of the Group

“We want to be the leading multinational group in the energy sector at the forefront of a better future, sustainably creating value with a quality service for people: citizens, customers, and shareholders (whom we care for and engage in our corporate life) and for the communities in which we carry out our activities, generating employment and wealth (with whom we engage in a constructive dialogue), known for our firm commitment to ethical principles, good corporate governance, and transparency, the safety of people and supply, operational quality and excellence, innovation, protection of the environment, customer focus, and the Sustainable Development Goals approved by the United Nations. Making it possible thanks to the work of our employees and the people working with our suppliers and collaborators, whom we care for by offering all of our training resources and reconciliation measures for their development and to strengthen equality of opportunity.”

3. Values of the Group

The mission and vision of the Group is configured based on a firm commitment to twelve values that all of the Corporate Policies, internal rules, and other internal codes and procedures must follow:

a) The sustainable creation of value:

“We want to lead the creation of value in a sustainable manner for society, citizens, customers, shareholders, and the communities in which we do business, equitably compensating all groups that contribute to the success of our business enterprise, and to make new investments seeking the maximisation of our social dividend, generating employment and wealth for society with a long-term vision that achieves a better future without compromising present results”.

b) Ethical principles:

“We aspire for our conduct and that of the persons linked to us, including all participants in the value chain, to respond and adhere to ethical and generally accepted social responsibility principles, in addition to applicable laws and the Corporate Governance System”.

c) Good corporate governance and transparency:

“We care for and engage people –citizens, customers, suppliers, employees, and shareholders– in corporate life and constantly work to maintain leadership in corporate governance and transparency, at all times adopting the best generally recognised practices in the international markets, all within the framework of a diversified group that is organised efficiently and coordinated around Iberdrola, S.A. and the various country subholding companies and head of business companies, subject to common guidelines and the principle of subsidiarity”.

d) Development of our workforce:
“We consider our employees to be a strategic asset, whom we care for and offer a good working environment, fostering their development, training, and measures of reconciliation, and favouring equal opportunity. We work to recruit, promote, and retain talent and encourage the personal and professional growth of all people belonging to our workforce, making them participants in our quest for a successful business enterprise and guaranteeing them a dignified and safe job”.

e) Social commitment:
“We seek the sustainable development of the communities in which we do business and the well-being of citizens, customers, suppliers, employees, and shareholders, who contribute to achieving the corporate interest of Iberdrola, S.A., which is the basic assumption for the success of our business enterprise. We affect local economic development, generating employment and wealth around us, and we pay our social dividend to the communities in which we do business. Aware of this reality, we contribute to the development of such communities through their participation in our business enterprise and our strategy of social responsibility, with measures intended to promote education, research, culture, and art, and to protect vulnerable groups”.

f) Sense of belonging:
“We care for and involve all stakeholders in our enterprise, engaging in continuous and constructive dialogue with them in order to know their expectations and to build strong bonds, and thus generate trust and forge a sense of belonging to an excellent company of which they feel they are an integral part”.

g) Safety and reliability:
“We work to offer a service of high quality energy supply for society, citizens, and customers and to carry out all our activities within a safe and reliable environment. The safety of our employees and of the people at the facilities of the companies of the Iberdrola group and in the surrounding areas, and that of our customers, as well as the adoption of best practices in the areas of safety and occupational health, form an unwavering pillar of our processes”.

h) Quality:
“We believe that the outstanding management of all of our processes and resources is an essential tool in the creation of value for citizens, customers, shareholders, employees, and the other stakeholders”.

i) Innovation:
“We believe that innovation is a strategic variable that affects all the businesses of the Group and all the activities we engage in. We want to be leaders in innovation within the energy sector, basing our activities in this area on sustainable development, the promotion of renewable energy, the exploitation of opportunities offered by all types of digitalisation, automation, and a wager on technologies and new business models”.

j) Respect for the environment:
“Our leadership in the fight against climate change, the development of clean energy, and respect for the environment are the pillars of our energy production model and the factor that distinguishes us in the energy sector as one of the leading companies worldwide”.

k) Customer focus:
“We work to know the needs and expectations of our customers, in order to offer them better solutions, defending the proper operation of the market under free competition, continuously working to maintain and increase their satisfaction, strengthening their connection to the Iberdrola group, and promoting responsible consumption”.

l) Institutional loyalty:
“We base our relations with the public authorities on respect for the law, loyalty, trust, professionalism, collaboration, reciprocity, and good faith. We consider the taxes we pay in the countries and territories in which we operate as the principal contribution to sustaining public expenditures, and therefore as one more of our contributions to society”.

4. Acceptance
The professionals of the Group expressly accept the content of the Mission, Vision, and Values of the Iberdrola group. Professionals who join or become part of the Group in the future must also expressly accept the content hereof.
The Mission, Vision, and Values of the Iberdrola group shall be attached to the employment agreements of all Group professionals.

This Mission, Vision, and Values of the Iberdrola group, which contains the corporate philosophy of the Company initially formalised as such in 2002, was approved by the Board of Directors as a standard of the Corporate Governance System on 23 February 2016 and was last amended on 19 July 2016.
Book Three of the Corporate Policies

24 July 2018
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Introduction to the Corporate Policies

1. Pursuant to the provisions of article 8 of its By-Laws, Iberdrola’s Corporate Governance System defines and includes its own internal system, which, in exercising the corporate autonomy supported by law, is established to ensure the best compliance with the social contract that binds its shareholders.

2. An essential piece of Iberdrola’s Corporate Governance System are the Corporate Policies, which establish, within the framework of the law and the By-Laws, guidelines for conduct that further develop and specify the provisions of the Mission, Vision and Values of the Iberdrola group, channelling the behaviour of the shareholders, board members, officers and other professionals of Iberdrola.

The Corporate Policies use conduct guidelines to specify the business and ethical ideas, principles and values that make up the ideological and axiological foundation of Iberdrola, its board members, officers and other professionals, while serving as a framework of reference for the exercise of rights by its professionals.

3. As a result of this function of threading together and solidifying principles into patterns of actions and procedures, the Corporate Policies play a fundamental role in the Corporate Governance System.

Above all, the Corporate Policies meet the function of delineating the corporate interest, which, although defined in the By-Laws, permits and even specifies an additional more detailed solidification to reduce the “grey zone” to the extent possible, which is intrinsic to a partially indeterminate legal concept.

At the same time, consistent with the above, the conformity of any actions at or by Iberdrola to its Corporate Policies in itself entails a prima facie and of course iuris tantum presumption of instrumentality and consistency with the corporate interest, and, in sum, of legitimacy and validity.

4. Recognition of the role and importance of the Corporate Policies and the assignment of the approval thereof to the Board of Directors consistent with the provisions of law, and in the cases of the Director Remuneration Policy to the shareholders acting at a General Shareholders’ Meeting and of the Auditor Contracting and Relations Policy to the Audit and Risk Supervision Committee, should be deemed to be without prejudice to the powers that the law and the Corporate Governance System itself give to the shareholders acting at a General Shareholders’ Meeting, the highest decision-making body of the Company, which ultimately ratifies the management of the Company.

5. Like the rest of the Corporate Governance System, albeit with greater intensity, the Corporate Policies are subject to a process of constant review, because this work of giving shape to ideas, values and principles in guidelines or protocols of conduct can and should be subject to ongoing attention in order to adjust it to the changing circumstances within which the work of Iberdrola unfolds in its three dimensions: business, corporate and institutional. The Company has multiple channels and pathways of dialogue with its stakeholders for these purposes.

6. Iberdrola’s Corporate Policies currently number more than forty, are structured into three distinct categories (corporate governance and regulatory compliance, corporate risks and risks specific to the various businesses of the Group, and social responsibility), and bind those who act with or are related to Iberdrola, to the extent applicable thereto.

In Bilbao, on 12 April 2018

The Board of Directors of Iberdrola, S.A.
Part I.

Corporate Governance and Regulatory Compliance Policies

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Corporate Governance System

Part I. Corporate Governance and Regulatory Compliance Policies

General Corporate Governance Policy

21 June 2018

The Board of Directors of IBERDROLA, S.A. (“Iberdrola” or the “Company”) has the power to design, assess and continuously revise the Corporate Governance System, and specifically to approve the Corporate Policies. The foregoing further develop the principles reflected in this set of rules which include the guidelines governing the conduct of the Company and of the companies belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as the conduct of their directors, officers and employees.

This General Corporate Governance Policy (the “Policy”) is an essential piece of the Corporate Governance System and includes the fundamental aspects and commitments of the Company and the Group in this area. The Company also expects its shareholders and other persons holding rights or interests in shares of the Company to respect and comply with the provisions of this Policy in their relations therewith.

Principles of the Policy

1. General Principles

The Group’s commitment to good corporate governance and transparency is reflected in the Mission, Vision and Values of the Iberdrola group, the pillars of which are the engagement of the Company’s shareholders in corporate life and the maintenance of leadership in corporate governance and transparency.

This commitment guides the conduct of the Board of Directors, the committees thereof and the other decision-making bodies of the Company in its relations with shareholders, investors and other stakeholders, as well as the development of its corporate governance strategy, which is based on the following principles:

a) The good governance recommendations generally accepted in international markets are taken into account in configuring and updating the Corporate Governance System.

b) The Company conceives of the corporate interest 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.

c) The Company considers the effective engagement of the shareholders in its corporate life to be a primary objective. For this purpose, upon the proposal of a working committee formed by representatives of the Company, recognised shareholder movements and professionals with particular qualifications and experience in corporate governance, the Board of Directors has approved a Shareholder Engagement Policy. It also organises various events and adopts several initiatives to promote such engagement. The General Shareholders’ Meeting is thus celebrated within the framework of Shareholder Day, which is intended to involve the shareholders in the business, corporate and institutional reality of Iberdrola, stimulate two-way interaction between the Company and its shareholders, and encourage their engagement in corporate life.

d) The Company encourages the informed participation of the shareholders at the General Shareholders’ Meeting and takes proper measures to facilitate the effective exercise by the shareholders at a General Shareholders’ Meeting of the powers they hold under the law and the Corporate Governance System.

e) Transparency is one of the values making up Iberdrola’s relationships with the markets and with the general public. The Company maintains a corporate website, envisaged as an instrument for channelling its relations with shareholders and investors, as well as the other stakeholders, which is intended to foster their involvement in corporate life.

In addition, the Company makes available to its shareholders and investors significant information concerning the running of the Company and its Group, in accordance with the provisions of law and of the Corporate Governance System.

f) The Board of Directors seeks a proper balance in the composition and the periodic laddered renewal thereof, and has a wide majority of independent directors, with consultative committees that are made up entirely of non-executive directors and chaired by independent directors.
g) The Board of Directors endeavours to ensure a diversity of nationalities, gender and experience in its composition and in that of its committees and the other decision-making bodies of the Company, as a reflection of the social and cultural reality of the Group.

h) The Corporate Governance System includes the mechanisms and procedures required to prevent, identify and resolve conflicts of competition and of interest, whether of an exceptional or structural and permanent nature.

i) The Company seeks to assure, to the extent it is able to do so, the respectability, capability, expertise, competence, experience, qualifications, training, availability and commitment to their duties of the directors and senior officers.

The Appointments Committee establishes an annual programme for the evaluation and ongoing review of qualifications and, if appropriate, independence of the directors, as well as of ongoing compliance thereby with the requirements of respectability, capability, expertise, competence, availability and commitment to their duties as directors and as members of a given committee of the Board of Directors.

j) The Company sets its Director Remuneration Policy and its Senior Officer Remuneration Policy following principles that combine motivation, loyalty-building and the objective evaluation of management and performance with dedication and achievement of the goals and results of the Company and its Group, within the context of their international activities.

k) Institutional leadership, the promotion and protection of development initiatives and projects, and the improvement of the Company’s Corporate Governance System, as well as ensuring the proper operation thereof, are entrusted by the Company to the chairman of the Board of Directors.

l) The Corporate Governance System duly separates management and supervision functions within the Company and the Group, as well as between the central strategy function and decentralised executive responsibilities, in accordance with the Group’s Business Model.

This model makes the decentralised structure compatible with the global integration of the businesses and its focus on maximising operational efficiency through the exchange of best practices among the business units of the various companies within the Group.

m) The Company’s Board of Directors focuses its activity on approving the strategic goals of the Group, on defining its organisational model, and on supervising compliance therewith and further development thereof.

n) The Company and the Group assume the legally established commitments in connection with the legal and functional separation of regulated companies.

o) The Company observes the autonomy required for the rest of listed companies of the Group. For these purposes, the Corporate Governance System contemplates the measures that are appropriate to safeguard the interests of the minority shareholders of said companies, which may not be fully aligned with those of the Company.

p) The Company is permanently committed to the application of ethical governance practices and to the maintenance, development and monitoring of compliance policies at the Group level. This includes compliance with applicable laws and regulations and with risk management policies, endeavouring to ensure that the Group’s internal procedures conform to the highest ethical standards. The Compliance Unit ensures the application of such standards, reporting to the Corporate Social Responsibility Committee.

q) The taxes that the Group pays in the countries and territories in which it does business are its main contribution to the funding of public purpose needs and, accordingly, one of its contributions to society. Iberdrola’s Corporate Tax Policy includes among its principles that of compliance with applicable tax laws in the various countries and territories in which the Group operates.

Shareholders of the Company

2. Rights and Duties of the Shareholders

Each share of the Company grants the legitimate holder thereof the status of shareholder.

Shareholders must exercise their rights vis-à-vis the Company and other shareholders, and must comply 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 law and, to the extent applicable, the Corporate Governance System.
Within this context, the Company facilitates and promotes a responsible exercise of their rights and the performance of their duties by the shareholders and the holders of rights or interests in shares, subject to the above-mentioned principles.

The Company expects shareholders, other persons holding rights or interests in shares of the Company, and, to the extent applicable, intermediary or managing entities or depositaries, to exercise their rights and comply with their duties in accordance with these principles.

For such purposes, the Company expects that they act with entire transparency vis-à-vis the Company and the other shareholders, and report to the Company the terms and conditions associated with the acquisition and holding of their financial, voting and related rights, without prejudice to their legal duty to disclose significant interests, the identity of the ultimate and actual owner of the Company shares, any other securities entitling the holders to acquire or subscribe for shares or other interests therein, and any voting rights that may be exercised by them, and, if applicable, report the capacity in which they hold such shares, securities, rights or interests.

In this connection, the Company considers that compliance with the duties of transparency established by law and, to the extent applicable, the Corporate Governance System, must be a constant in the full exercise of the shareholder’s position and of the rights ensuing from such status.

Specifically, every shareholder and every holder of an interest in shares of the Company or of voting rights therein, even if not a shareholder, must be prepared, as an expression of the holder’s commitment to transparency and the corporate interest, to disclose and provide to the Company specific, full and accurate information on the aspects described below:

a) In the event of the acquisition of voting rights representing a percentage equal to or greater than one per cent of the share capital, whether the holder is also the full owner of the respective shares or has assumed the risk and peril thereof, as well as the type of instrument used for such acquisition.

b) In the event that any agreement is executed or any kind of financial instrument is acquired that grants the right to acquire or transfer shares, interests in shares or voting rights or to exercise or control the exercise of voting rights of the Company representing a percentage of the share capital or of voting rights equal to or greater than one per cent, whether individually or in the aggregate, the terms and conditions of such agreement or instrument.

c) In the event that the threshold of ten per cent and successive multiples of five per cent of the share capital or of voting rights is exceeded, whether the holder has a plan to acquire control of the Company or intends to continue to acquire shares, interests in shares or voting rights, and the periods during which the holder intends to do so, as well as information regarding the funds allocated to the acquisition of the shares, interests in shares or voting rights, charges and encumbrances created on the foregoing and any additional information that may be relevant to assess the nature of the interest acquired and the earnestness of the holder’s intentions, and any intention of influencing the composition of the Board of Directors of the Company, its strategy or its financial or management policies, as well as any changes with respect to the foregoing.

d) In the event that the formal owner of the shares, of the interests in shares or of the voting rights holds such status in a fiduciary or any other capacity, to disclose to the Company the name of the ultimate and actual owners of the shares, interests in shares or voting rights.

Participation of the Shareholders in the Company

3. Encouragement of Participation in the General Shareholders’ Meeting

The General Shareholders’ Meeting is the principal channel of participation of the shareholders in the Company. The General Shareholders’ Meeting is held within the framework of Shareholder Day, during which there are several activities seeking to bring the Company closer to the shareholders and encourage a constructive dialogue with them. It is organised in compliance with the provisions of the Sustainability Policy in relation to sustainable event management.

In order to encourage their informed and responsible participation at the General Shareholders’ Meeting, on occasion of each General Shareholders’ Meeting, the Board of Directors approves and makes available to the shareholders a Shareholder’s Guide, which clearly explains the procedures applicable for participation therein, Implementing Rules for the General Shareholders’ Meeting, which contain the specific rules for the exercise of shareholders’ rights, and, specifically, a system for granting proxies and casting absentee votes electronically, by telephone and by post, and approving a standard form of attendance, proxy and absentee voting card.
The General Shareholders’ Meeting is called as provided by law and in the Corporate Governance System, by means of publication of an announcement in the Official Bulletin of the Commercial Registry (Boletín Oficial del Registro Mercantil) and on the Company’s corporate website, as well as on the website of the National Securities Market Commission (Comisión Nacional del Mercado de Valores).

On occasion of the call to the General Shareholders’ Meeting, the Company enables an Electronic Shareholders’ Forum on the Company’s corporate website for the purposes provided by law.

In order to safeguard shareholders’ rights and transparency, the Company asks a specialised external firm to review the proceedings of the General Shareholders’ Meeting, including the processing of votes cast from a distance and the proxies granted, as well as the counting of the votes cast on proposed resolutions.

4. Policy on Payment of Attendance Bonus

Generally, to encourage the participation of the shareholders at the General Shareholders’ Meeting, the Board of Directors shall approve the payment of an attendance bonus for each General Shareholders’ Meeting held by the Company, determining the nature and amount thereof. In any case, the amount of the bonus per share at each General Shareholders’ Meeting will not be greater than one and a half percent of the nominal value thereof. The decision on whether or not to pay the attendance bonus for a particular General Shareholders’ Meeting and the amount thereof will be set forth in the announcement of the call to meeting.

The shares included in the list of attendees at the General Shareholders’ Meeting shall have the right to receive the attendance bonus. The Board of Directors, or the persons authorised thereby, may decide to pay the bonus to shares not included in the list of attendees, based on the entry thereof into the room after the beginning of the meeting or for other reasons apart from the Company and the Shareholder.

The general principle of paying the attendance bonus cannot be followed if the economic situation of the Company so advises or if there are exceptional and objective circumstances showing that payment of such bonus is not an effective incentive to encourage participation at the General Shareholders’ Meeting. If the Board of Directors resolves not to pay an attendance bonus, it shall provide the rational for its decision at the respective General Shareholders’ Meeting.

A change in the policy on payment of attendance bonus described above shall require an express resolution of the Board of Directors. If it is decided to change the policy by eliminating the payment of the bonus for a particular General Shareholders’ Meeting, it may not be re-established until the objective circumstances justifying the elimination thereof have changed. In this case, the Board of Directors must explain the reasons motivating the decision on the payment thereof at the next General Shareholders’ Meeting.

5. Right to Request that a Meeting Be Called, that a Supplement to the Call to Meeting Be Published, and to Submit Duly Substantiated Proposed Resolutions

The Board of Directors must call a General Shareholders’ Meeting at the request of shareholders representing at least three per cent of the share capital, with the requirements established by law and, to the extent applicable, the Corporate Governance System.

Shareholders representing at least three per cent of the share capital may also:

a) Request the publication of a supplement to the call to the Annual General Shareholders’ Meeting including one or more items in the agenda of the call to meeting, so long as the new items are accompanied by a rationale or, if applicable, by a duly substantiated proposed resolution.

b) Submit well-founded proposed resolutions regarding matters already included or that should be included in the agenda of the call to the General Shareholders’ Meeting.

The shareholders must exercise these rights with loyalty, in good faith and within the framework of the corporate interest.

The Company may request the documents and the information necessary to verify that the aforementioned conditions have been satisfied.

The exercise of such rights must be requested by duly authenticated notice to be received at the registered office of the Company within five days of publication of the call to the General Shareholders’ Meeting.

The Company shall ensure the dissemination of the items on the agenda and/or the proposed resolutions submitted and the documentation that may be attached thereto in accordance with provisions of law, and in any case as soon as possible, and shall publish a new form of attendance, proxy and absentee voting card that takes into account the items on the agenda and/or the additional proposals.
If such rights are validly exercised, the chair of the General Shareholders’ Meeting, making use of the powers vested therein by the Regulations for the General Shareholders’ Meeting, shall submit to a vote the new items or proposed resolutions after the proposed resolutions submitted by the Board of Directors. In this case, the following rules shall apply in order to determine the direction of the shareholders’ votes on those proposals that conflict with other proposals submitted to the shareholders at the same General Shareholders’ Meeting:

a) First, absentee votes cast pursuant to the provisions of the Regulations for the General Shareholders’ Meeting shall be counted in the direction that is appropriate in accordance with the provisions of the Corporate Governance System and the Implementing Rules for the General Shareholders’ Meeting.

b) Second, shareholders (and their proxy representatives) desiring to expressly state the direction of their vote in favour of a specific proposed resolution must so notify the notary public or assistants thereto (or in the absence thereof, the secretary for the General Shareholders’ Meeting). It shall be deemed that the shareholders voting in favour of a proposed resolution vote against all the others that conflict therewith.

c) Third, shareholders desiring to vote in blank or to abstain with regard to all proposed resolutions must proceed in the same manner.

d) Finally, pursuant to the provisions of letters a) and b), those votes corresponding to all shares represented in person or by proxy, after deducting the votes corresponding to the following, shall be deemed to be votes in favour of the proposal: (i) shares whose holders or proxy representatives have stated that they vote in favour of another conflicting proposal and who vote in blank or abstain from all of them, and (ii) shares whose holders or proxy representatives have left the meeting prior to the voting on the proposed resolution in question and have provided a record thereof to the notary public or assistants thereto (or in the absence thereof, to the secretary for the General Shareholders’ Meeting).

6. Information for Shareholders

The Corporate Governance System elaborates on the provisions of applicable law governing information for shareholders as regards the means that the Company must make available to them in order for them to be able to exercise their right to receive information prior to and during the General Shareholders’ Meeting.

After the publication of the call to the General Shareholders’ Meeting, such information as is deemed appropriate to facilitate informed attendance of the shareholders at the General Shareholders’ Meeting is made available to them on the Company’s corporate website (avoiding documents in paper form and thereby favouring respect for and protection of the environment).

In addition to the reports referred to in the Regulations for the General Shareholders’ Meeting, the Company makes available to the shareholders a report prepared by the Appointments Committee regarding the transactions on which it has reported during the prior financial year by the Company or companies in its Group with directors or shareholders with a shareholding interest deemed to be legally significant at any particular time or that have proposed the appointment of directors of the Company, or with their respective related persons. A full or summary translation into English of the principal reports and documents made available to the shareholders is also included as soon as possible following publication of the announcement of the call to meeting, although the Spanish text shall in any event prevail in the event of a conflict. Shareholders with visual limitations may request the delivery of the announcement of the call to meeting in the Braille system.

From the date of publication of the call to the General Shareholders’ Meeting through and including the fifth day prior to the date set for the meeting to be held on first call, the shareholders may request in writing the information or clarifications that they deem are required, or ask the written questions they deem relevant, regarding the matters contained in the agenda of the call to meeting. In addition, upon the same prior notice and in the same manner, the shareholders may request data or clarifications or ask written questions regarding the information accessible to the public that has been sent by the Company to the National Securities Market Commission since the holding of the last General Shareholders’ Meeting. In order to facilitate the exercise of such right, information may be requested by delivering the request at the registered office or by sending it to the Company by postal or electronic correspondence in the manner established by the Board of Directors when calling each General Shareholders’ Meeting.

In addition to the publication of the announcement of the call to meeting by the means prescribed by law, the Company may use the services of agencies, financial institutions and intermediaries for purposes of improved distribution of information among its shareholders and all those with a right thereto or interest therein, even if not shareholders.
It is a priority objective of the Company for all shareholders to be able to exercise their right to receive information through the Company’s corporate website, and, with such end in mind, it provides technological means on the website that facilitate access by persons with disabilities.

7. Attendance at the General Shareholders’ Meeting

All shareholders who are duly accredited in the manner allowed by law or the Corporate Governance System have the right to attend the General Shareholders’ Meeting, with no minimum number of shares being required for such purpose.

The Company encourages the attendance of the shareholders at the General Shareholders’ Meeting by holding it on premises that offer the best conditions for the progress and monitoring thereof, with a large capacity, and located in the centre of the city where the registered office is situated. If necessary, provision is made for use of supplemental locations to attend the General Shareholders’ Meeting that are connected with the main site by video conference systems that allow recognition and identification of the parties attending, permanent communication among the attendees regardless of their location, and participation and voting.

The Company also actively encourages the participation of all shareholders. In particular, whenever reasonably possible, it provides appropriate means to facilitate entry to and exit from the premises where the meeting will be held by all attendees with reduced mobility, and adopts the measures necessary to allow for participation by attendees with auditory or visual limitations at the General Shareholders’ Meeting. For this reason, the General Shareholders’ Meeting is the subject of simultaneous interpreting in Spanish sign language and an audio description for attendees with visual limitations.

The Company offers to all persons who so wish, even if they are not shareholders, the ability to access a live or recorded broadcast of the General Shareholders’ Meeting, in whole or in part, through the its corporate website.

8. Rights to Proxy Representation and to Absentee Voting

The shareholders of the Company can grant a proxy to another person (even if not a shareholder) or vote by postal correspondence or by electronic means or via telephone at any General Shareholders’ Meeting that may be held.

The Implementing Rules for the General Shareholders’ Meeting further develop and make more specific the provisions of the Corporate Governance System in connection with the exercise of the rights to attend, to proxy representation and to absentee voting, as well as the rules of priority and for the resolution of issues, in order to safeguard the expression of the intent and the interest of the shareholders.

The chairman and the secretary of the Board of Directors or, as from the moment a quorum for the General Shareholders’ Meeting is determined to exist, the chair of and the secretary for the Meeting and the persons to whom they may delegate powers have full powers to verify and accept the validity of proxies granted and absentee votes in accordance with the provisions of the Corporate Governance System, as well as the identity of the shareholders and their proxies and the legitimacy of the exercise of the rights to attend, grant proxies and vote.

9. Other Aspects of the General Shareholders’ Meeting

It falls upon the chair of the General Shareholders’ Meeting, who will generally be the chairman of the Board of Directors, assisted by the secretary (who will also generally be the secretary of the Board of Directors), and the presiding committee (mesa) of the General Shareholders’ Meeting, to order and direct the meeting in accordance with the provisions of the Regulations for the General Shareholders’ Meeting, indicate the time for voting, establish the voting systems and procedures, determine the system for counting and calculating the votes and announcing the outcome.

The chair of the General Shareholders’ Meeting may also present, or appoint a representative of the Company to present, in an organised manner, those questions or considerations that the Company’s shareholders have submitted to the Company during the course of Shareholder Day or through other channels of communication.

10. Delegation of Powers to Issue Shares or Securities Convertible into Shares

The Board of Directors shall not propose to the shareholders at the General Shareholders’ Meeting the delegation of powers to issue shares or securities convertible into shares with the exclusion of pre-emptive rights in an amount greater than twenty per cent of the share capital at the time of the delegation.
If the Board of Directors, in using such delegation, approves any issue of shares or of securities convertible into shares with the exclusion of pre-emptive rights, the Company shall publish on its corporate website the reports on such exclusion required by law.

11. Communication Channels with Shareholders and Investors

The Company’s main official channel of communication with shareholders and the markets is its continually updated corporate website (www.iberdrola.com), through which the Company channels all information that may be of interest to shareholders and investors, favouring immediate publication thereof and subsequent access thereto, pursuant to the provisions of the Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors.

The Company publishes on the corporate website the professional profile and biographical data of its directors, the other boards of directors to which they may belong, whether or not they are of listed companies, the category to which they belong (and in the case of proprietary directors, stating the shareholder at whose request they were appointed), the date of their first appointment and the dates of their subsequent re-elections, and the shares of the Company and the options on such shares that they hold. Furthermore, an interactive system (On-Line Shareholders, or OLS) has been made available on the corporate website that allows shareholders (who can log on with their user name and password) to easily ask questions, whether publicly or on a confidential basis, access the most frequently asked questions on various issues and the answers thereto, and, in connection with the General Shareholders’ Meeting, request information or clarifications or ask questions concerning the items on the agenda, as well as to view the proceedings live.

In addition, the Company has other specific communication channels to provide information to shareholders and investors:

a) The Office of the Shareholder (Oficina del Accionista). From the call to the General Shareholders’ Meeting to the end thereof, the shareholders can rely on the support of the Office of the Shareholder, which has a specific site for such purpose at the premises where the meeting is held in order to resolve any issues that the attendees may raise prior to the commencement of the meeting, as well as to serve and provide information to the shareholders who wish to use the floor.

b) The Investor Relations Office (Oficina de Relaciones con Inversores). This responds on a regular and personalised basis to the questions of analysts and institutional and qualified investors in equities, fixed-income securities and socially responsible investments.

These communication channels and the functions, scope of application and means of contact are further developed in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors.

12. Other Channels of Participation for the Shareholders

In addition to the General Shareholders’ Meeting, the Company has established other channels for participation that, without diminishing the powers of the shareholders thereat, allows for promoting the engagement of shareholders in the corporate life:

a) On-Line Shareholders (OLS)

In addition to being a channel for communication, On-Line Shareholders (OLS) allows shareholders to actively participate in virtual forums and discussions electronically, regarding issues of corporate governance and other issues of significance to the life of the Company with an impact on stakeholders and on the communities and territories in which it operates.

b) Activities organised by the Office of the Shareholder

The Office of the Shareholder is in contact with those shareholders who voluntarily enter their names in its database, and provides a specific service to minority shareholders for the organisation of presentations and events prior to the General Shareholders’ Meeting.

It also organises thematic in-person sensitivity and engagement workshops at which debate is encouraged and information is provided regarding issues relating to the activities of the Company, mainly in the area of its corporate social responsibility strategy.

c) Shareholders’ Club (Club del Accionista)

This is an open and permanent channel of communication directed towards shareholders who voluntarily become members thereof and are interested in closely following the Company’s performance. It invites its
members to events at which representatives of the Company, and occasionally other notable persons, are invited, exchange viewpoints and debate current issues relating to the Company.

d) Relations with Significant Shareholders

Apart from the participation channels cited above, the Board of Directors may establish regular communication mechanisms with shareholders owning a significant interest in order to gather their opinions and concerns regarding the activities of the Company.

The Board of Directors and the Committees of the Board

13. The Board of Directors

The Board of Directors has the broadest powers and authority to manage and represent the Company. Pursuant to the Corporate Governance System, the Board of Directors focuses its activity on approving the strategic goals of the Group, on defining its organisational model and on supervising compliance therewith and further development thereof. The Board of Directors may rely on the Executive Committee to perform this supervisory duty.

In the performance of its duties, the Board of Directors pursues the corporate interest and acts with unity of purpose and independent judgement, affording equal treatment to all shareholders in the same situation.

14. Composition of the Board of Directors

The Board of Directors shall be composed of a minimum of nine and a maximum of fourteen directors, distinguishing between executive and non-executive directors. Non-executive directors include proprietary, independent and other external directors.

The nature of each director is reported to the shareholders at the General Shareholders’ Meeting at the time of making or ratifying the appointment or re-election thereof, as well as in the Annual Corporate Governance Report, after verification by the Appointments Committee.

The Board of Directors ensures, in the exercise of its powers and without prejudice to the powers of the shareholders at the General Shareholders’ Meeting, that independent directors are a large majority of the Board of Directors and that the number of executive directors is the minimum number necessary, taking into account the complexity of the Group. In addition, the Board of Directors ensures that a proper equilibrium exists between proprietary and independent directors, reflecting, to the extent possible, the proportion existing between the voting share capital represented by proprietary directors and the rest of the share capital.

The composition of the Board of Directors shall likewise seek a diversity of nationalities, gender and experience, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of matters within its power.

The stability of the Board of Directors is a primary objective. Therefore, the Company has adopted a number of measures so that each year the shareholders at the General Shareholders’ Meeting decide on the appointment or re-election of approximately one-fourth of the members of the Board of Directors.

15. Selection and Appointment of Directors

The Board of Directors is composed of persons with recognised prestige and professional competence, who act with independent judgement in the performance of the duties inherent to their position.

The Appointments Committee proposes to the Board of Directors the appointment of independent directors and reports on the appointment of other directors, each of whom is classified into one of the categories contemplated in law, the By-Laws and the Regulations of the Board of Directors.

When new candidates for membership on the Board of Directors are selected, the Appointments Committee ensures that the candidates proposed are upstanding and qualified persons widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties, providing appropriate balance to the composition of the Board of Directors.

The Appointments Committee verifies, to the extent practicable, that nominees are not affected by any of the instances of disqualification from or prohibition against holding office as directors or by any of the grounds for conflict of duties or interest established by law or in the Corporate Governance System, that the procedures for the selection of directors are free from any implied bias involving any kind of discrimination, and, in particular, that they do not hamper the selection of female directors.
The Company has a succession plan for non-executive directors, which attempts to ensure that the renewal thereof occurs on a laddered and orderly basis, anticipating expected vacancies (due to reaching the indicative age of seventy years established for these directors or due to their twelve years of time in office).

In addition, the Board of Directors has approved a succession plan for the chairman of the Board of Directors and chief executive officer, which shall apply if he gives early notice of his desire to resign from his position, or in the event of non-limited and unexpected non-availability.

The text of both plans is set out in Annex I to this Policy.

The Group also has a specific programme for the training and monitoring of officers encouraging internal promotion and ensuring the orderly succession of senior management and other key positions within the Company and the Group.

Finally, both the chairman of the Board of Directors and chief executive officer as well as the senior officers and other persons holding key positions have a person who can replace them in their positions in the event of a limited absence. Each of the replacements has been chosen based on the personal and professional competence required to hold the position.

16. Information, Updating and Evaluation of the Board of Directors

The Company has a programme to provide directors with information and updates in response to the need for professionalisation, diversification and qualification of the Board of Directors.

In order to improve their knowledge of the Group, presentations are made to the directors regarding the businesses of the Group. In addition, a portion of each meeting of the Board of Directors tends to be dedicated to a presentation on economic, legal or political/social issues of importance to the Group.

The directors have access to a specific application, the directors’ website, that facilitates performance of their duties and the exercise of their right to receive information. This website includes information deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof in accordance with the agenda, as well as training materials intended for the directors and presentations made to the Board of Directors.

In addition, the directors shall be given access through the directors’ website to the minutes of the meetings of the Board of Directors and the committees thereof, as well as such other information that the Board of Directors resolves to include.

The Board of Directors evaluates, on an annual basis, its operation and the quality of its work, the performance of duties by the chairman of the Board of Directors and chief executive officer, and the operation of its committees. To such end, the Board of Directors draws on the cooperation of an independent firm of recognised standing.

17. Duties and Obligations of Directors

The directors shall comply with the duties and obligations laid down by law and in the Corporate Governance System, which include the following:

(i) Duty of diligent management, which entails the obligation to adequately prepare and attend the meetings of the Board of Directors and the committees thereof and to participate actively in the deliberations, in order for their opinion to effectively contribute to decision-making.

In the event that, due to well-founded reasons, directors are unable to attend, they shall give appropriate instructions to the director representing them at the meeting in question. Non-executive directors may only give a proxy to other non-executive directors.

This duty of diligence also includes the duty to inform the Board of Directors of any irregularities in the management of the Company of which the directors may have had notice, and to monitor any situation of risk.

(ii) Duty of confidentiality, which requires them to refrain from disclosing any information to which they may have had access while in office, even after the director no longer holds such position.

(iii) Duty not to compete, while in office and for a term of two years following the end of their tenure as directors, during which time they may not be directors or officers of or render services to other companies having a corporate purpose that is similar, in whole or in part, to that of the Company, or that compete with it, with the exceptions set forth in the Corporate Governance System. Directors must disclose to the Company all the positions they hold and the activities they carry out at other companies or entities, as well as their other professional commitments and any significant change in their professional status.
(iv) Duty of loyalty, which includes the obligations to report any conflict of interest and to refrain from participating in deliberations relating thereto, to submit their transactions with companies of the Group to prior approval, and to inform the Company of any fact or event that may be relevant to their activities as director. It also includes a prohibition against using corporate assets (including confidential information) in order to obtain any financial benefit and against taking advantage of business opportunities for their own benefit or for the benefit of related parties. Finally, directors must submit their resignation to the Board of Directors in cases of disqualification, lack of competence, supervening prohibition against performing the duties of director and other instances established in the Corporate Governance System.

Directors must also observe the rules of conduct established in the legal provisions governing the securities market and, in particular, those contained in the Internal Regulations for Conduct in the Securities Markets. In addition, directors must conform their behaviour as directors to the ethical principles and obligations inherent to the culture and to the Mission, Vision and Values of the Iberdrola group. The ethical duties of the directors of the Company are governed by a Directors’ Code of Ethics.

Directors must also observe the rules that, acting under its powers of self-organisation, the Board of Directors may approve at any time with a view to the better performance of their duties, which are included as Annex I to this General Corporate Governance Policy.

The obligations imposed upon the directors shall equally bind the individuals appointed to represent corporate directors in the performance of their duties and, in the manner established in the Corporate Governance System, the individuals and legal entities related to the director.

18. Director Remuneration
The Board of Directors submits the director remuneration policy for approval of the shareholders at the General Shareholders’ Meeting upon the terms required by law.

This policy, which contains the provisions provided by law, is intended to cause the remuneration payable to the directors to be comparable to the remuneration paid at companies of similar size or activities in the market, and to ensure that it takes into account the dedication and responsibility assumed as well as their performance and achievement of objectives, all with a view to making remuneration commensurate with the long-term return for the shareholders.

The director remuneration policy is also designed to achieve the motivation and loyalty of executive directors, as well as the independence of external directors, and the application thereof will be the subject of the required Annual Director Remuneration Report that will be made available to the shareholders on the occasion of the call to the Annual General Shareholders’ Meeting and will be submitted to a consultative vote of the shareholders as a separate item on the agenda.

Furthermore, the Board of Directors seeks to ensure the transparency of the remuneration paid to the directors and, for such purpose, it includes in the notes to the annual accounts of the Company and in the Annual Director Remuneration Report a detailed description, according to positions and categories, of all items of remuneration received by the directors.

19. Meetings of the Board of Directors
The Board of Directors meets with the frequency that the chairman thereof deems appropriate, but at least eight times per year, and must hold at least one meeting each calendar quarter. The schedule of regular meetings is set by the Board of Directors itself before the beginning of each financial year, and may be amended by resolution thereof or by decision of its chairman.

The Board of Directors also meets when the chairman resolves to call an extraordinary meeting thereof or when such extraordinary meeting is requested of it by one-fourth of the directors, by the non-executive vice-chair or by the lead independent director, if any. In the three last-mentioned cases, the chairman of the Board of Directors must call the meeting within ten days of receipt of the request.

The call to meetings of the Board of Directors is carried out by the secretary of the Board of Directors or whoever acts in the secretary’s stead, with the authorisation of the chairman of the Board of Directors, by any means allowing for the receipt thereof, and preferably through the directors’ website.

Any director may request the inclusion of additional items on the agenda proposed by the chairman of the Board of Directors, and the latter shall be required to include them when the request is made not less than two days prior to the date scheduled for the holding of the meeting.
20. Positions on the Board of Directors

a) Chairman of the Board of Directors & chief executive officer
The chairman of the Board of Directors carries out the senior management of the Company and is the representative thereof, directs debates, ensures the proper operation of the Board of Directors and stimulates the participation of all the directors in the meetings and deliberations. The chairman also chairs the General Shareholders’ Meeting and directs its debates and deliberations.
In his capacity as chief executive officer, he regularly submits the management report to the Board of Directors and the Executive Committee, which he also chairs, and, if appropriate, makes proposals for decision regarding the matters within their powers.
In addition, he proposes to the Board of Directors for its approval the determination and modification of the Company’s organisational chart, the appointment and removal of senior officers, and any compensation or indemnification to which they may be entitled, following reports, if any, from the Appointments Committee and the Remuneration Committee. He also proposes to the Remuneration Committee, for submission to the Board of Directors, the Senior Officer Remuneration Policy, as well as the basic terms of their contracts.

b) Non-Executive Vice-Chair of the Board of Directors
The non-executive vice-chair has the duty to request the call to meeting of the Board of Directors and to temporarily replace the chairman, with all of the powers and duties thereof, in the event of vacancy, absence, illness or incapacity, including the chairing of the General Shareholders’ Meeting, the Board of Directors and the Executive Committee.
Furthermore, in accordance with the succession plan for the chairman of the Board of Directors & chief executive officer, in the event of non-limited and unexpected non-availability of the chairman, the vice-chair has the duties of temporarily replacing the chairman and driving the process of electing a new chairman.

c) Business CEO (consejero-director general de los negocios del Grupo)
The Board of Directors has an executive director who acts as Business CEO, with overall responsibility for all of the businesses of the Group.

d) Lead Independent Director
The Board of Directors, upon a proposal of the Appointments Committee with the abstention of the executive directors, shall appoint a lead independent director (consejero coordinador) from among the independent directors.
The lead independent director has powers to chair meetings of the Board of Directors in the absence of the chairman and the non-executive vice-chair, to 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 and in the preparation of the agenda for each meeting, as well as –like all of the directors– requesting the inclusion of matters on the agenda; to coordinate, gather and reflect the concerns of the non-executive directors; to lead the evaluation of the chairman of the Board of Directors; and to lead the process for the succession thereof when the chairman provides advance notice of his desire to cease holding the office. The lead independent director may also maintain contacts with shareholders when so decided by the Board of Directors.

e) Secretary of the Board of Directors
The secretary of the Board of Directors is responsible for ensuring the formal and substantive legality of all actions taken by the Board of Directors and compliance thereof with the Corporate Governance System, and the duties thereof include drafting the minutes of its meetings, which shall record the discussions that take place and the resolutions adopted, including the presentations of the directors, whenever they expressly request that they be recorded in the minutes or when, in the opinion of the secretary, they are relevant to understand the discussions. The secretary of the Board of Directors also coordinates the work of the secretaries of the committees of the Board of Directors as to all matters relating to the Corporate Governance System and to regulatory compliance.
The secretary of the Board of Directors also advises the Board of Directors on the status of the Corporate Governance System at any time, ensures that the resolutions of the Board of Directors take into account the good governance recommendations applicable to the Company, and reports on new corporate governance initiatives at the domestic and international level.
21. Checks and Balances System

The Corporate Governance System provides the measures necessary to ensure that neither the chairman of the Board of Directors & chief executive officer nor the Executive Committee have a decision-making power that is not subject to appropriate checks and balances, as well as the measures to ensure that both are under the effective supervision of the Board of Directors.

In this regard, the Board of Directors has large majority of independent directors, with consultative committees that are made up entirely of non-executive directors. In addition, a permanent delegation of powers of the Board of Directors requires a favourable vote of at least two-thirds of its members. The same majority is required for the appointment of an executive director as chairman of the Board of Directors.

Furthermore, the roles of non-executive vice-chair and of lead independent director serve as a counterbalance to that of the chairman when the chairman is an executive director, ensuring that the activities thereof are subject to proper controls.

The corporate and governance structure of the Group is also designed such that management power is not centralised within a single governance body or a single person, but rather is decentralised among the boards of directors of the head of business companies, the Company’s main function being the supervision, organisation and strategic coordination of the Group. This function of organisation and coordination is also strengthened with the existence of country subholding companies in those countries and businesses in which the Board of Directors of the Company has so decided.

The effective application of this system of checks and balances is verified on an annual basis as part of the evaluation of the operation of the Board of Directors. A prestigious independent international firm collaborates in said evaluation, the conclusions of which are set forth in a report.

22. Committees of the Board of Directors

The Board of Directors of the Company has an Executive Committee and four consultative committees: the Audit and Risk Supervision Committee, the Appointments Committee, the Remuneration Committee and the Corporate Social Responsibility Committee.

a) Executive Committee

As a delegated decision-making body of the Board of Directors, the Executive Committee is a basic corporate governance instrument of the Company. It therefore meets at the intervals deemed necessary by its chair for the discharge of its duties. It also meets when so requested by two of its members.

The chair of the Executive Committee informs the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted by the Executive Committee during its meetings.

b) Consultative Committees

The Board of Directors also has the following non-executive consultative committees:

(i) The Audit and Risk Supervision Committee, whose general duty is to supervise the effectiveness of internal control at the Company and its Group, as well as of its risk management systems, the activities of the Internal Audit Area, which is functionally controlled by such Committee, the activities and independence of the auditor, and the process of preparing economic and financial information.

(ii) The Appointments Committee, with information, advisory and proposal-making powers in connection with the composition of the Board of Directors and of the committees thereof, the process for appointment to internal positions on the Board of Directors and of senior officers, the selection of candidates for the position of director, and the evaluation, re-election, removal and cessation of directors.

(iii) The Remuneration Committee, with information, advisory and proposal-making powers in connection with the remuneration of directors and senior officers.

(iv) The Corporate Social Responsibility Committee, whose general duty is to promote the Company’s strategies in the areas of corporate social responsibility, sustainability, corporate reputation and corporate governance and to supervise compliance with the Corporate Governance System.

Iberdrola and the Group

23. Corporate and Governance Structure and Business Model of the Group

The corporate organisation of the Group, which forms an essential part of the Corporate Governance System, is comprised of:
a) The Company, which is configured as a holding company, the main function of which is to act as the entity owning the equity stakes in the country subholding companies.

b) The country subholding companies, which, in each of the countries in which the Group operates and when so appropriate, group together the equity stakes in the energy head of business companies acting in that territory. The Group also has a country subholding company for the non-energy head of business companies, which do business in various countries.

c) The head of business companies.

This corporate configuration is intended to favours an agile and rapid decision-making process in day-to-day management that is dependent on the head of business companies, while at the same time achieving appropriate coordination at the Group level as a result of the supervisory duties performed by the Company's country subholding companies.

Based on this corporate configuration, the Group's governance model is governed by the principles described below, which duly distinguish between day-to-day and effective management duties, on the one hand, and supervision and control duties, on the other:

a) Vesting within the Company's Board of Directors of powers relating to approval of the strategic goals of the Group, the definition of its organisational model and the supervision of compliance therewith and further development thereof.

b) Assumption by the chairman of the Board of Directors & CEO, with the technical support of the Operating Committee, by the Business CEO, appointed to this position by the Board of Directors, with overall responsibility for all of the businesses of the Group, and by the rest of the management team, of the duty of organisation and strategic coordination within the Group.

c) The function of strategic organisation and coordination is also strengthened through country subholding companies in those countries in which the Board of Directors of the Company has so decided. Except as provided in the Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation, these entities group together equity stakes in the energy head of business companies carrying out their activities within the various countries in which the Group operates. This structure is rounded out with a country subholding company that groups together certain equity interests in other entities, including the non-energy head of business companies, with a presence in various countries. One of the main functions of the country subholding companies is to centralise the provision of services common to the head of business companies, always in accordance with the provisions of applicable law and especially the legal provisions regarding the separation of regulated activities.

Country subholding companies have boards of directors that include independent directors and their own CEOs, audit committees, internal audit areas and compliance divisions.

Country subholding companies are responsible for disseminating, implementing and supervising the general strategy and the basic management guidelines at the country level with respect to the head of business companies grouped within each of them, taking into account the characteristics and unique aspects thereof.

d) The listed country subholding companies of the Group have a special framework of strengthened autonomy that covers regulatory matters, related-party transactions and management.

In particular, all transactions between the listed country subholding company and the subsidiaries thereof with the other companies of the Group require approval by a committee of the Board of Directors of said country subholding company made up solely of directors not linked to the Company.

The special framework of strengthened autonomy is implemented in the respective contracts signed by the Company with each listed country subholding company.

e) The head of business companies of the Group assume decentralised executive responsibilities, enjoy the independence necessary to carry out the day-to-day administration and effective management of each of the businesses and are responsible for the day-to-day control thereof.

These head of business companies are organised through their respective boards of directors, which include independent directors where appropriate, and their own management decision-making bodies; they may also have their own audit committees, internal audit areas and compliance units or divisions.

At companies of the Group with the presence of foreign shareholders that maintain their own corporate and governance structure, the representatives of the Group endeavour to promote the application of the principles
described above, and particularly the differentiation between the functions of day-to-day administration and effective management and those of supervision and control.

The corporate configuration and governance principles described above make up the corporate and governance structure of the Group. This structure operates jointly with the Group’s Business Model, which entails the global integration of the businesses and aims to maximise the operational efficiency of the various business units. Likewise, it ensures the dissemination, implementation and monitoring of the overall strategy and the basic management guidelines established for each business, primarily through the exchange of best practices among the various companies of the Group, without detracting from independence in decision-making by each of them.

Within the Group’s corporate and governance structure, the Operating Committee is an internal committee of the Company, the essential function of which is to provide technical, information and management support to the chairman of the Board of Directors and chief executive officer, in order to facilitate the development of the Group’s Business Model.

24. Entities in the Nature of Foundations Related to the Iberdrola Group

The country subholding companies are related to various entities in the nature of foundations, which are not a part of the Group’s corporate structure and the mission of which is to develop initiatives that effectively contribute to improving people’s quality of life in the regions and countries in which the Group operates, particularly in the areas of energy sustainability, art and culture, as well as solidarity and social action, and for the achievement of whose purposes they act independently, with full powers and autonomy.

Such entities implement, in their respective countries, the corporate social responsibility strategy designed by the Board of Directors of the Company, to the extent consistent with their foundational purposes and as assigned thereto by the Board of Directors of the country subholding company to which they are related. Every year, they receive from the Group the funds required to carry out their activities.

In particular, an appropriate framework for collaboration among the various entities in the nature of foundations related to the Group is established through the Foundations Committee of the Iberdrola Group, for the coordination of general interest and corporate social responsibility activities that are entrusted thereto.

Corporate Website

25. Corporate Website

The corporate website is one of the principal means to channel the relations of the Company with all of its stakeholders, encourage the engagement thereof, reinforce their sense of belonging, strengthen the Iberdrola brand, promote the development of the Group’s businesses and the digital transformation thereof and show the Company’s commitment to the provisions of the Mission, Vision and Values of the Iberdrola group.

The corporate website contains the most significant information for the principal stakeholders regarding the Company, as well as the content provided for in the By-Laws and in the Regulations for the General Shareholders’ Meeting.

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.

It is structured around specific sections intended to identify the Company, the Group and their activities; describe the Company’s position regarding corporate governance, sustainability and the environment; and promote its relations with the most significant stakeholders (shareholders and investors, employees, customers and suppliers) and with society in general.

The Company shall promote the accessibility of the corporate website.

Compliance System and Code of Ethics

26. Compliance Unit

The Company’s compliance system is made up of all of the rules, formal procedures and significant actions intended to ensure its conduct in accordance with ethical principles and applicable law, as well as to prevent improper conduct or conduct that is contrary to ethics, the law or the Corporate Governance System that might be committed by the professionals of the Company within the organisation (the “Compliance System”).
The Company has a Compliance Unit, which is a collective internal and permanent body linked to the Company’s Corporate Social Responsibility Committee, responsible for proactively ensuring the effective operation of the Compliance System, for which purpose it has broad powers, budgetary autonomy and independence of action.

The Compliance Unit has a director of compliance, who has the status of director of the Compliance Unit. The Compliance Unit annually evaluates the effectiveness of the Compliance System of the Company and of the other companies of the Group, with the collaboration of the various compliance departments, and prepares a report with the results of said evaluation.

The director of compliance manages the operation of the Compliance Unit and its budget, and is responsible for carrying out the respective measures and action plans and for ensuring that the Compliance Unit duly proactively performs the duties assigned to it in the Corporate Governance System.

The Compliance Unit, through its director or the compliance divisions provided that applicable law so allows, has access to the information, documents and offices of the companies, directors, officers and employees of the Group, including the minutes of the management, supervisory and control bodies, necessary for the proper performance of its duties. In that regard, all employees, officers and directors of such companies must provide to the Compliance Unit such cooperation as is requested of them for the proper performance of its duties.

To the extent possible and provided it does not affect the effectiveness of its work, the Compliance Unit acts transparently, informing the affected directors, officers and employees of the purpose and scope of its actions whenever practicable and appropriate.

The Compliance Unit and the compliance divisions of the other companies of the Group perform their duties in keeping with the principles of cooperation and coordination, and particularly observing the framework of strengthened autonomy of the listed country subholding companies.

27. Code of Ethics

The Group has a Code of Ethics that develops the principles contained in the Mission, Vision and Values of the Iberdrola group and that serves as a guide for the conduct of its professionals in a global, complex and changing environment. The Code of Ethics sets forth the Company’s commitment to the principles of business ethics and transparency in all areas of activity and establishes a set of principles and guidelines for conduct designed to ensure ethical and responsible behaviour by all professionals of the Group in the performance of their activities.

The powers of the Compliance Unit include promoting the dissemination and awareness of and compliance with the Code of Ethics, general, superior and binding interpretation of the Code of Ethics, supervising and coordinating the application of the Code of Ethics, resolving any questions or concerns raised with respect to the contents, interpretation and application of or compliance with the Code of Ethics, particularly with respect to the application of disciplinary measures by the competent bodies, and promoting procedures for verification and investigation of complaints received and issuing appropriate decisions regarding the investigative files processed.

28. Ethics Mailboxes

The Company and any country subholding or head of business companies of the Group shall have Ethics Mailboxes enabling the Group’s professionals and the Company’s shareholders, as applicable, to confidentially report any conduct that may involve a breach of the Corporate Governance System or the commission by a Group professional of an act that is illegal or in violation of the rules of conduct of the Code of Ethics. The Group undertakes not to make any direct or indirect retaliation against persons that have reported an instance of irregular conduct through such Ethics Mailboxes.

The Compliance Unit and any compliance units or divisions created at country subholding or head of business companies of the Group, as applicable, are responsible for processing communications sent through the Ethics Mailboxes.

This General Corporate Governance Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 21 June 2018.
ANNEX I. Self-organisation Rules of the Board of Directors

Succession Plan for Non-Executive Directors
Each of the non-executive directors undertakes to tender their resignation to the Board of Directors at the first meeting it holds after they reach seventy years of age or twelve years as a director of the Company. Cessation in office of a director as provided in the preceding paragraph shall not give rise to the right to receive any severance payment for this reason.

On periodic basis, and at least once per year, the Appointments Committee shall review whether it can be expected that any of the non-executive directors will cease to perform their duties during the financial year due to issues of age or time in office or for any other reason.

In such case the Appointments Committee shall drive the selection process established in the Board of Directors Diversity and Director Candidate Selection Policy to identify a candidate in replacement thereof with sufficient time to ensure an orderly succession.

Succession Plan for the Chairman of the Board of Directors & Chief Executive Officer
If the chairman of the board of directors & chief executive officer gives early notice of his desire to resign from his position, the succession thereof shall be planned and coordinated a specific committee, which shall be convened and chaired by the lead independent director and shall be made up of the lead independent director, the chairs of the consultative committees of the Board of Directors and the chairman & CEO himself.

The committee may contract for the advice of an independent expert to be paid for by the Company.

Within a period of not more than thirty days from the chairman of the Board of Directors and chief executive officer giving early notice of his desire to resign from his position, the committee shall provide to the Board of Directors a specific proposal regarding the replacement thereof, which must take into consideration the special personal and professional skills of the candidate and the ability thereof to led the development and implementation of the strategic plan in effect. In particular, the committee shall favourably value those candidates that are directors or officers of the Company or of other companies of the Group and that have been linked thereto as directors or employees for at least five years.

In the event of non-limited or unexpected unavailability of the chairman of the Board of Directors & chief executive officer, the non-executive vice-chair or in the absence thereof the director having the longest length of service, and if equal lengths of service, the oldest, shall temporarily assume the chairmanship of the Board of Directors, which must be convened to meet within a period of not more than forty-eight hours from the time that such unavailability becomes known. The agenda of this meeting shall include the identification of the person temporarily assuming the duties of chief executive, and the planning of the definitive succession shall be entrusted to a specific committee upon the terms described above.

Limits on Travel by the Members of the Board of Directors using the same Means of Transport
The following mandatory limitations are established regarding travel by the members of the Board of Directors using the same means of transport.

a) One-half or more of the total number of members making up the Board of Directors at any time may not travel together on the same means of transport.

b) To the extent that circumstances permit, efforts shall be made to ensure that the chairman of the Board of Directors travels using a means of transport different than that used by the non-executive vice-chair and the lead independent director. If there are several vice-chairs, this rule shall be applied such that at least one of the vice-chairs must travel separately.

c) The rule described in letter b) above shall apply for the secretary and deputy secretaries of the Board of Directors.

d) Likewise, more than two members of the Executive Committee should not travel on the same means of transport as the chairman or the lead independent director.

“Means of transport” shall mean any vehicle used for the transport of persons by land, sea or air, including automobiles, buses, trains, ships and aeroplanes (whether commercial or private).

IT Security and Privacy Rules
The following mandatory limitations are established on the use by the directors of systems, applications and IT and data transmission elements made available to them by the Company:
a) Directors must follow the instructions established and communicated to them by the Company concerning access, security, operation and use of the hardware and software, including computer programs, access to websites, applications and mobile communication devices.

b) Directors must first inform the Company of the use of private data transmission devices with capability to access the Company’s systems and applications and must follow the compatibility and confidentiality instructions established for such purpose by the Company.

c) At the meetings of the Board of Directors and of the committees thereof, as well as at any other meeting in which the directors of the Company participate in their capacity as directors, they shall observe the security and privacy protocols established by the Company, which may provide that mobile telephones and data transmission devices in general are to be switched off during the entire duration of such meetings, as well as restrictions on receiving or making calls or connections during the meetings.

The Company shall respect and protect the privacy of directors’ communications and data in the use of the systems, applications and IT and data transmission elements it makes available to them.
Shareholder Engagement Policy

20 December 2016

The Board of Directors of IBERDROLA, S.A. (the “Company”) approves this Shareholder Engagement Policy in order to encourage the engagement of its shareholders in certain areas of the life of the Company. The Shareholder Engagement Policy, which further develops the vision and values of the Company in matters of corporate governance and is one of the main pillars of its strategy in this area, lays down the principles that must govern the two-way interaction with its shareholders, with due respect for the principle of equal treatment of all shareholders in the same situation and with appropriate guarantees designed to avoid the transmission of information that might give some shareholders a privilege or advantage vis-à-vis other shareholders or that might damage the corporate interest.

The approval of this Policy completes and further develops the framework of relations between the Company and its shareholders, the basis for which is set out in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, which guarantees transparency in the provision of information to the shareholders.

1. Principles

The Shareholder Engagement Policy rests upon the following principles:

a) A proactive search for two-way interaction with the Company’s shareholders in order to encourage their engagement in corporate life and forge a sense of belonging, maintaining a constructive, ongoing, and effective dialogue with them that helps align their interests and those of the Company.

b) Shareholder engagement in corporate life is ultimately sought to enable the Board of Directors, which is vested with management and representation of the Company, to become apprised of the shareholders’ opinions and concerns in the areas of corporate governance and social responsibility, in order to take them into account in the discharge of its duties in furtherance of the corporate interest.

c) The main channel for shareholder participation is the General Shareholders’ Meeting. Without prejudice thereto, the Company establishes other channels that, without detracting from the powers of the shareholders at such Meeting, may promote effective shareholder engagement in the life of the Company.

d) All shareholder relations must abide by the principle of equal treatment regarding recognition and exercise of rights accruing to all shareholders that are in the same situation and that are not affected by conflicts of duties or interest.

e) In all instances of contact between the Company and the shareholders, appropriate measures shall be adopted in order to avoid the transmission of information that might give them a privilege or advantage vis-à-vis other shareholders or that might damage the corporate interest.

f) The function of interaction with the shareholders falls within the exclusive purview of the Board of Directors, acting collectively, and of the chairman & chief executive officer thereof, to whom all powers in this regard have been delegated.

g) Both the Board of Directors and the chairman & chief executive officer thereof may delegate the exercise of this function to the Secretary of the Board of Directors, to the Finance and Resources Division and therein to the Investor Relations Division, or to such other Company professionals as they deem advisable, in order for them to manage and promote the effective operation of the channels for shareholder participation. The persons to whom such function is delegated shall periodically report to the chairman & chief executive officer on the messages exchanges with the shareholders as well as any other significant aspect received during such exchange. The chairman & chief executive officer shall in turn report thereon to the Board of Directors.

h) The Board of Directors and the chairman & chief executive officer thereof may entrust the lead independent director or the other members of the Board of Directors with interaction with specific shareholders regarding issues relating to the Company’s corporate governance. The directors shall have such power only upon delegation from the Board of Directors.

i) Except as provided in paragraph h) above, the directors do not constitute a valid channel for participation, and therefore, they have neither the duty nor the power to interact with the shareholders.
j) In order to implement this Shareholder Engagement Policy, the Company will make use of new technologies allowing for the establishment of effective and fruitful dialogue with the largest possible number of shareholders.

k) The Company shall adopt such measures as are needed to ensure due coordination between the initiatives undertaken by the Company under this Shareholder Engagement Policy and the implementation of the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

l) This Shareholder Engagement Policy shall be applied by taking into account the provisions of law and those contained in the Corporate Governance System and, in particular, in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, the Regulations of the Board of Directors, the Internal Regulations for Conduct in the Securities Markets, the Code of Ethics, and the Internal Rules for the Processing of Inside Information.

2. Areas of Engagement

Except as provided by law and in the Corporate Governance System, shareholder engagement under the provisions of this Shareholder Engagement Policy shall be limited to the areas of corporate governance and social responsibility of the Company, both in Spain and in the other countries in which it has a presence. Shareholder engagement in the Company shall in no event serve as a cover for conduct that is contrary to the corporate interest or that seeks the fulfilment of personal and individual interests not aligned therewith.

3. Channels for Engagement

The Company has the following channels for shareholder participation therein, by means of which their involvement in corporate life is encouraged.

Outside such channels and the other general channels for the provision of information and for communication contemplated in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, the interaction between the Company and the shareholders falls within the exclusive purview of the Board of Directors, acting collectively, and of the chairman & chief executive officer thereof, who may delegate the conduct of part of such activities to the Office of the Secretary of the Board of Directors and the Finance and Resources Division, either directly or through the Investor Relations Division.

3.1 General Shareholders’ Meeting

The General Shareholders’ Meeting is the main channel for shareholder participation in corporate life. When the General Shareholders’ Meeting is an Ordinary meeting, it is held within the framework of Shareholder Day, during which various presentations are made and activities are carried out in order to bring the Company closer to the shareholders and foster a constructive dialogue with them. It is organised in compliance with the provisions of the Sustainability Policy in relation to sustainable event management.

In addition to encouraging the informed and responsible participation of the shareholders at the General Shareholders’ Meeting as provided in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, the Board of Directors shall promote two-way interaction with the shareholders through the other participation channels.

The purpose of the foregoing is to enable the Board of Directors to become apprised of the opinions and concerns of the shareholders, such that it may take them into account upon drawing up the agenda, preparing the proposed resolutions, and making decisions regarding the other details and circumstances in connection with the holding of the General Shareholders’ Meeting.

Furthermore, the Board of Directors shall actively promote shareholder attendance at the General Shareholders’ Meeting and the possibility of shareholder participation therein, pursuant to the provisions of law and the Corporate Governance System. For such purposes, it shall facilitate access to the documents in connection with the General Shareholders’ Meeting and the understanding of the information relating to the matters to be addressed therein. It may also carry out other proactive actions designed to encourage maximum participation of the shareholders, such as telephone information campaigns.

For Shareholder Day, the Company may organise informal meetings between Company representatives and shareholders. The Board of Directors, the chairman & chief executive officer, the lead independent director, or the professionals to whom the exercise of the function of interaction with shareholders has been delegated shall prepare in advance such instruments as may be needed to ensure a fluid and productive dynamics at such meetings.
Financial institutions acting as intermediaries, managers, and depositaries of the Company’s shares have the duty to inform the holders of shares regarding the rights they are entitled to exercise, as well as the duty to adopt any measures required to ensure that the shareholders or any third parties designated by them may exercise such rights personally when they so deem advisable and to take responsibility for the fact that the instructions they transmit to the Company on behalf of their customers are valid and faithfully correspond with those received from the holders of the shares.

The purpose of all of the foregoing is to enable the Board of Directors, within the framework of the corporate interest, to take into account the intent of the shareholders, as expressed through their vote and during their presentations at the General Shareholders’ Meeting, when the Board of Directors designs the Company’s strategy and especially when it amends the Corporate Governance System.

Finally, information shall be provided at the General Shareholders’ Meeting regarding the activities carried out by the Company in implementation of the provisions of this Shareholder Engagement Policy. Information shall also be provided, through such person as is designated to this end, regarding the main proposals or concerns in connection with corporate governance and the social responsibility strategy that have been reported through the channels for engagement.

3.2 Meetings through the OLS (On-Line Shareholders) Interactive System

The interactive system (OLS – On-Line Shareholders) available on the corporate website will allow the shareholders (who may access with their user name and password) not only to view and request the information set forth in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors but also to actively participate in meetings to be held electronically with Company representatives designated by the Board of Directors or by the chairman & chief executive officer thereof, regarding corporate governance and other matters that are significant for corporate life and which have an impact on stakeholders and on the communities and territories in which the Company operates.

The Company may set an annual schedule of electronic meetings of Company representatives with shareholders who have registered with the OLS interactive system, setting forth the matters to be dealt with at each meeting.

All shareholders who have registered with the OLS interactive system may participate in the electronic meetings, which will be moderated by a representative of the Office of the Shareholder.

3.3 Relations with Shareholder Associations and Institutional Shareholders

The Company acknowledges the importance of shareholder associations as a suitable vehicle for representation of retail shareholders and for transmission of their opinions and concerns regarding the Company’s corporate governance and social responsibility strategy, and appreciates the existence thereof.

In addition, the existence of institutional shareholders having a stable and continuous presence in the Company’s shareholder base is welcome to the extent it may allow for the creation of sustained value in the medium and long term and the establishment of firm mutual bonds of loyalty that do not give rise to conflicts of duties or interest.

Without prejudice to the meetings or other contacts promoted by the Company, both shareholder associations and institutional shareholders may request, through the Investor Relations Division, the holding of meetings with Company representatives designated by the Board of Directors or by the chairman & chief executive officer thereof, setting forth the specific matters to be addressed therein.

The Company will review such requests and will accommodate them when it so deems appropriate and provided that, in so doing, the provisions of this Shareholder Engagement Policy are not breached.

In the event that the Company agrees to hold a meeting with a shareholders association or with one or more institutional shareholders, the Board of Directors or the chairman & chief executive officer thereof shall designate, at a minimum, two representatives of the Company, who shall be informed of the specific matters to be dealt with and with whom the content of and the information that may be provided at such meeting shall be agreed, in order to avoid the transmission of information that might entail the granting of a privilege or advantage vis-à-vis the other shareholders or that might damage the corporate interest.

In addition to the foregoing, the Board of Directors or the chairman & chief executive officer thereof may develop long-term engagement plans with shareholder associations and with those institutional shareholders that express their intent to have a stable and continued presence in the Company and may thus establish appropriate mechanisms for communication regarding the operations of the Company.
The Company shall provide information regarding the meetings to be held and the establishment of any engagement plans or communication mechanisms as provided in section 4 below.

3.4 Events Organised by the Shareholders’ Club

The Shareholders’ Club actively encourages two-way interaction between the Company and the shareholders who voluntarily join such Club and are interested in such interaction.

For such purpose, it organises events in which its members are invited to participate and during which Company representatives and, on occasion, other notable persons, exchange viewpoints with the shareholders and discuss matters relating to corporate governance and the social responsibility strategy pursued by the Company.

3.5 Awareness-raising and Involvement Workshops

The Company organises subject-specific, face-to-face awareness-raising and involvement workshops, which are open to the public at large and in which shareholder participation is encouraged, debate is promoted, and information is provided on matters concerning the activities carried out by the Company, primarily in connection with its social responsibility strategy.

Specifically, the Office of the Shareholder regularly invites the shareholders who have voluntarily entered their names in its database to take part in such workshops.

4. Dissemination

The Company shall disseminate through the corporate website and social media all activities intended to seek shareholder engagement in the life of the Company that are conducted in implementation of the provisions of this Shareholder Engagement Policy and are directed to all shareholders.

Furthermore, the Company shall publish on the corporate website an annual report on the practical application of this Shareholder Engagement Policy and of the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, including information regarding the relations maintained with associations of shareholders and institutional shareholders and on other activities carried out through the participation channels described above (other than the General Shareholders’ Meeting).

5. Coordination of Participation Activities and with the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors

All activities carried out through the participation channels described above and, specifically, the content of the information provided to the shareholders within the framework of such activities, shall be properly coordinated with the content of the information provided and the communications made by the Company pursuant to the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

The Office of the Shareholder shall be the internal body within the Company responsible for such coordination. For such purpose, the Office of the Shareholder shall rely on the support of the Finance and Resources Division or of the Office of the Secretary of the Board of Directors when such support is required by the circumstances.

Additionally, the Investor Relations Division shall periodically report to the chairman of the Board of Directors & chief executive officer regarding the conduct of the activities carried out in implementation of the provisions of this Shareholder Engagement Policy. The chairman of the Board of Directors & chief executive officer shall in turn report thereon to the Board of Directors or to the Executive Committee at such intervals as he deems appropriate.

This Shareholder Engagement Policy was initially approved by the Board of Directors on 17 February 2015 and was last amended on 20 December 2016.
Shareholder Remuneration Policy

15 December 2015

The Board of Directors of IBERDROLA, S.A. (the “Company”) is responsible for preparing the Shareholder Remuneration Policy thereof and making the corresponding proposals for the remuneration of its shareholders. The Shareholder Remuneration Policy of the Company is based on the following principles:

1. Purpose
The purpose of the Shareholder Remuneration Policy is to link shareholder remuneration to the profits of the Company.

2. Sustainable Creation of Value and Improvement in Profitability
The mission of the companies making up the group of which the Company is the controlling entity, within the meaning established by law, is to lead the sustainable creation of value for society, citizens, customers, shareholders, and the communities in which it does business, equitably compensating all groups that contribute to the success of its business enterprise, and to make new investments considering their social return, generating employment and wealth for society with a long-term vision that achieves a better future without compromising present results.
Within the framework of the above and of the corporate interest, the Company takes into account in its strategic planning specific and measurable economic and financial objectives that always seek improved profitability and the sustainable creation of shareholder value.

3. Conformance to Applicable Legal Provisions
The resolutions adopted by the shareholders at the General Shareholders’ Meeting and by the Board of Directors in implementation of the Shareholder Remuneration Policy of the Company shall in all cases follow the provisions set out in applicable legal rules and the Corporate Governance System, and shall take into consideration good governance recommendations generally recognised in the international markets in this area.

4. Actions of the Board of Directors
The Board of Directors, within the scope of its powers, shall propose to the shareholders at the General Shareholders’ Meeting the decisions it deems most appropriate regarding the distribution of dividends and, if applicable, shall resolve on the payment of interim dividends.
The Board of Directors may also propose other forms of the Company’s shareholder remuneration, including flexible remuneration systems (scrip dividends), programmes for the buyback and cancellation of shares, increases in paid-up capital, distributions in kind, etc., and shall decide on the intervals at which such forms shall be applied.

5. Levels of Shareholder Remuneration
In the absence of circumstances warranting the modification thereof, any of the above forms of shareholder remuneration (pay-out) of the Company must be sustainable, compatible with the maintenance of its financial strength, and in line with the level of companies having a similar business profile. In application of these standards, shareholder remuneration shall be between 65 % and 75 % of the net profits attributed to the Company, as controlling company, in its consolidated annual accounts.

This Shareholder Remuneration Policy was initially approved by the Board of Directors on 23 October 2007 and was last amended on 15 December 2014.
Policy Regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors

19 July 2016

The Board of Directors of IBERDROLA, S.A. (the “Company”) has recognised a strategic goal of paying continuous attention to the transparency of information and of relations with its shareholders and with professional or qualified equity, debt and socially responsible investing professionals (the “Institutional Investors”), as well as proxy advisors, which are governed by the provisions of law and the Company’s Corporate Governance System and, specifically, by the principles set out in this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors and in the General Corporate Governance Policy.

The listed country subholding companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”) may establish their own policy regarding communication and contacts with shareholders, institutional investors and proxy advisors, which must in any case follow the general principles set forth in this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

1. General Principles

The Board of Directors is entrusted with the highest-level management and supervision of the information provided to shareholders, Institutional Investors, and the markets in general, by safeguarding, protecting, and facilitating the exercise of their rights and interests within the framework of the defence of the corporate interest, all in accordance with the following general principles:

a) Transparency, truthfulness, promptness, equality, and symmetry in the dissemination of information.

b) Equal treatment in the acknowledgement and exercise of the rights of all shareholders in the same situation and who are not affected by any conflict of interest or competition.

c) Protection of the rights and legitimate interests of all the shareholders.

d) Promotion of ongoing and permanent provision of information to the shareholders, and not only upon the call to General Shareholders’ Meetings, by making available to them effective channels to keep them continuously informed of proposals that may be made in connection with the management of the Company, in accordance with law and the Corporate Governance System, and to report conduct that may involve a breach of the Corporate Governance System or the commission by any professional of the Company or of the companies belonging to the Group of any irregularity or of any act contrary to the provisions of the Code of Ethics, upon the terms set forth in the following sections.

e) Cooperation of the shareholders in order for the practices regarding the provision of information and relations with the markets to be transparent, effective, and in keeping with the corporate interest.

f) Development of information-technology tools that allow the Company to capitalise on new technologies, keeping it at the forefront in the use of new communication channels.

ɡ) Coordination of the Company’s communication with the shareholders through the Shareholder Engagement Policy so that it helps promote the engagement of shareholders within the Company.

h) Compliance with the provisions of law and the Corporate Governance System, as well as with the principles of cooperation and transparency with all competent authorities, regulators, and government agencies.

The principles listed above apply to the provision of information to and the communication of the Company with shareholders, Institutional Investors, and other interested parties, such as financial intermediary and management institutions and depositaries of the Company’s shares, financial analysts, regulatory and supervisory entities, rating agencies, news agencies, proxy advisors, etc.

Without prejudice to the principles of equal treatment and non-discrimination, the Company may tailor general information and special communication channels and other initiatives regarding the provision of information to and communication with shareholders, Institutional Investors, and the markets in general based on the various groups for whom they are intended.
As regards regulatory compliance, particular attention shall be given to the rules concerning the processing of inside information and significant information, relations with the shareholders, and communication with the securities market set forth in the Regulations of the Board of Directors, the Internal Regulations for Conduct in the Securities Market, the Code of Ethics, and the Internal Rules for the Processing of Inside Information.

2. General Information and Communication Channels

2.1 National Securities Market Commission and Other Entities
The first general channel for the provision of information by the Company to shareholders, Institutional Investors, and the markets in general is the National Securities Market Commission (Comisión Nacional del Mercado de Valores) (“CNMV”), as well as, where appropriate, the channels established by other foreign authorities and supervisory entities, in view of the immediate dissemination and publicity to which the information sent to these institutions is subject through the publication of significant events on their websites, which are simultaneously posted on the Company’s corporate website.

2.2 Corporate Website
The corporate website is one of the most significant means to channel the relations of the Company with all of its stakeholders, encourage the engagement thereof, reinforce their sense of belonging, strengthen the Iberdrola brand, promote the development of the Group’s businesses and the digital transformation thereof, and show the Company’s commitment to the provisions of the Mission, Vision, and Values of the Iberdrola group.

In this regard, the Company’s main official channel of communication with shareholders, Institutional Investors, and the markets in general is the Company’s corporate website (www.iberdrola.com) which is continuously updated and through which the Company makes available all information that may be of interest to shareholders and Institutional Investors, thus allowing for the prompt publication thereof and the possibility of subsequent access thereto, in order for transparency to be the foremost value informing the Company’s relations with the markets and with the public at large.

The secretary of the Board of Directors, in coordination with the Finance and Resources Division, decides on the information that is to be included on the Company’s corporate website.

In order to facilitate inquiries by shareholders and Institutional Investors, information disseminated by the Company through its corporate website is provided simultaneously in Spanish and English whenever possible; in the event of discrepancies, the Spanish version prevails.

The presentation of interim quarterly management statements and of Semi-annual and Annual Financial Reports, as well as other significant institutional, results-related, or economic and financial presentations, including “capital markets day” investor activities, are broadcast live via the Company’s corporate website, along with simultaneous translation into English, and interested parties are given the opportunity to ask questions regarding the presentation.

Furthermore, the Company endeavours to provide a reasonable period of direct access on its corporate website to recordings of the full broadcast of each presentation of results.

In addition to being published on the Company’s corporate website, the Company’s economic, financial, institutional, and general information is disseminated through the transmission thereof to analysts, the media, and international, domestic, and regional news agencies, after having been sent to the CNMV whenever required.

An interactive system (On-Line Shareholders – “OLS”) has been made available on the corporate website, allowing shareholders (who may access the system using their user name and password) to easily:

a) View the most frequently asked questions and answers regarding the Company.

b) Make queries of or request clarifications from other shareholders, either openly or confidentially, regarding the matters contemplated in the preceding paragraph or regarding issues relating to their status as a shareholder.

c) Access the legal and corporate documentation that they require.

d) Make queries regarding the ethical principles governing the Group or make complaints through the Shareholders’ Ethics Mailbox.

e) Request information or clarifications or ask questions regarding items on the agenda for the General Shareholders’ Meeting.

f) View the General Shareholders’ Meeting directly.
g) Participate in other activities that ultimately seek to promote the engagement of shareholders within the Company, in accordance with the provisions in the Shareholder Engagement Policy.

Pursuant to the provisions of the Regulations for the General Shareholders’ Meeting, the Company shall also make available to the shareholders through the corporate website an application that allows them to exercise their rights to receive information and to participate with respect to the General Shareholders’ Meeting.

2.3 “Investor Relations App”

The Company makes an “Investor Relations App” available to shareholders, Institutional Investors, and the markets in general. Through this continuously updated multi-device communication channel, in Spanish and English, shareholders and Institutional Investors have the ability to access information regarding the Company that might be of interest to them, favouring the immediacy of publication and the ability to subsequently access the information.

Through this application, one can access, among other things, the presentation of results in real time, view charts showing the Company’s share listing and prices, financial documentation, press releases, and notices of significant events (hechos relevantes).

2.4 Social Networks

Aware of the impact of new information technologies and communication channels via the internet, the Company encourages an active presence in social networks (such as Twitter) where it endeavours to disseminate information of interest on the status and activities of the Group and to establish a fluid and fruitful dialogue with the internet community, without prejudice to or detracting from compliance with its statutory obligations.

The Company also endeavours to disseminate all or part of the proceedings at General Shareholders’ Meetings through social networks, for which purpose it may publish on the internet, in real time, the main headlines of the event, post pictures of the proceedings live on the Company’s channels, and share presentations on an internet website.

2.5 Internal Coordination for the Dissemination of News that May Contain Significant Information

In order to ensure that the dissemination of news that may contain significant information for the market is carried out under conditions of transparency, symmetry, and in compliance with the provisions of law and the Corporate Governance System (and specifically, the Internal Regulations for Conduct in the Securities Markets), the Company has established the following internal coordination rules:

a) If information generated by the Company can be classified as significant for the market or if there is any doubt as to the obligation to report it to the CNMV pursuant to law and the Corporate Governance System, the Office of the Secretary of the Board of Directors of the Company shall decide whether a notice of significant information should be sent in advance to the CNMV and, if so, to draft, review, and send such notice to the CNMV through the authorised representatives designated by the Company for such purpose.

The information included in the significant event (hecho relevante) may not be disseminated by any other means without prior publication thereof on the website of the CNMV. Furthermore, the content of the significant information disseminated to the market by any information or communication channel other than the CNMV must be consistent with that of the corresponding significant event.

b) Information generated by the Company may be reported to shareholders, Institutional Investors, and the markets without observing the foregoing rules by any means that complies with this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, so long as there is no doubt under the law and the Corporate Governance System that such information need not be communicated to the CNMV as a significant event, or when, following consultation with the Office of the Secretary of the Board of Directors of the Company, such Office has determined, in accordance with the rules set forth in the preceding section, that a notice of significant event need not be sent to the CNMV.

3. Office of the Shareholder and Shareholders’ Club

The Board of Directors establishes appropriate channels in order for the shareholders to be kept permanently informed and in order for them to submit proposals in connection with the management of the Company, in accordance with the law and the Corporate Governance System.

The Company maintains the following channels of communication with the shareholders for such purposes:
3.1 Office of the Shareholder
The paramount purpose of the Office of the Shareholder (Oficina del Accionista) is to act as an open, permanent, and transparent channel of communication with all the shareholders of the Company, through the ongoing development of initiatives calculated to strengthen such relationship in order for the shareholders to be kept continuously informed and in order for them to submit proposals regarding the management of the Company. The Office of the Shareholder is thus established to respond at all times and on an ongoing basis to the queries, questions, or suggestions of the shareholders through a toll-free telephone service line (900 100 019) and an e-mail address (accionistas@iberdrola.com), and is in contact with those shareholders who have voluntarily entered their names in its database.

The Office of the Shareholder shall endeavour, to the extent possible, to respond to the queries and requests made by registered shareholders, giving absolute priority to the furtherance of the corporate interest and complying with the law and the Corporate Governance System. It constitutes a permanent information system through which shareholders can inquire and stay updated about the status of the Group. To such end, and in keeping with the principles of transparency, equality, and symmetry in the dissemination of information, the replies and other documents that the Office of the Shareholder provides when it is able to comply with such requests shall be available to the public on the Company’s corporate website.

3.2 Shareholders’ Club
The Shareholders’ Club (Club del Accionista) is established as an open and permanent channel of communication between the Company and the shareholders who voluntarily become members thereof and are interested in closely following the Company’s performance. Thus, the telephone and e-mail service offered by the Office of the Shareholder is augmented by the mailing of other documents, such as annual reports, quarterly newsletters, notices sent to the CNMV, or daily closing market prices.

4. Shareholders’ Ethics Mailbox
The Company shall establish a Shareholders’ Ethics Mailbox as a channel of communication in order to enable the shareholders to report conduct that may involve failure to comply with the Company’s Corporate Governance System or the commission by any Group professional of any act that is illegal or contrary to the rules of conduct of the Code of Ethics specifically applicable to the Group’s professionals.

Communications addressed to the Shareholders’ Ethics Mailbox may be sent by completing an electronic form that shall be available on the Company’s corporate website, in a section to be entitled “Shareholders’ Ethics Mailbox”.

The guiding principles of the Shareholders’ Ethics Mailbox are the following:

a) The Group undertakes not to engage in any kind of retaliation, whether direct or indirect, against the shareholders of the Company that have reported irregular conduct through the Shareholders’ Ethics Mailbox. In any event, such communications must always comply with standards of truthfulness and proportionality, and such mechanism may not be used for purposes other than compliance with the law or the rules of the Code of Ethics mentioned above.

b) The identity of the shareholder reporting an irregular action through the Shareholders’ Ethics Mailbox shall be deemed confidential and, therefore, it shall in no event be communicated to the party named in the report, if any, thus ensuring non-disclosure of the identity of the reporting shareholder and avoiding any kind of response from the reported party as a consequence of the report.

c) Without prejudice to the foregoing, the data of the shareholders making the communication may be provided to governmental or court authorities, to the extent required by such authorities as a result of any proceeding stemming from the subject matter of the report, as well as to persons involved in any kind of subsequent investigation or court proceeding initiated as a consequence of the investigation. Such provision of data to governmental or court authorities shall always be in full compliance with the laws on the protection of personal data.

The Compliance Unit shall be responsible for managing the communications sent through the Shareholders’ Ethics Mailbox. If the party named in the report is a member of the Compliance Unit, such member shall not be allowed to participate in the processing thereof.

Taking into account the specific circumstances of the case, the Compliance Unit may inform the shareholder who sent the communication of the status of the process.
All data provided through the Shareholders’ Ethics Mailbox shall be included in a personal data file owned by the Company in order to process the communication received and to take such investigatory steps, as well as to carry out such investigations as may be required to establish the commission of the violation. The Company undertakes to treat all personal data of the shareholder making the communication in the strictest of confidence at all times and in accordance with the purposes contemplated in this section, and shall adopt such technical and organisational measures as may be needed to ensure the security of the shareholder’s data and avoid the alteration, loss, or unauthorised processing thereof or access thereto, taking into account the current state of the art, the nature of the data stored, and the risks to which they are exposed, all in compliance with the laws on the protection of personal data. In any event, the Company shall include in each data collection form the warnings required by law.

5. Relations with Analysts and Institutional Investors

The Investor Relations Office, organised and managed by the Investor Relations Division, is responsible for the ongoing and individualised response to the queries of analysts and Institutional Investors, for which purpose it has an e-mail address [investor.relations@iberdrola.es]. The Company organises informational meetings regarding the status of the Company and the Group and other points of interest to analysts and Institutional Investors to give them suitable information regarding the Company. All of the foregoing is without prejudice to the strict observance by the Company of the principle of equal treatment of all shareholders in the same situation and who are not affected by any conflict of interest or competition.

6. General Shareholders’ Meeting

The Board of Directors encourages the informed and responsible participation of the shareholders at the General Shareholders’ Meeting and adopts, through the Shareholder’s Guide and by other means, such measures and safeguards as are appropriate to enable the shareholders coming together at a General Shareholders’ Meeting to effectively discharge their duties pursuant to law and the Company’s Corporate Governance System. When the General Shareholders’ Meeting is called, the Company may use the services of agencies, financial institutions, and intermediaries for purposes of improved distribution of information among its shareholders and Institutional Investors, and the Investor Relations Office may adapt the means and instruments for proxy-granting and absentee voting to the specific circumstances of Institutional Investors. In addition, from the call to the General Shareholders’ Meeting to the end thereof, the shareholders may rely on the support of the Office of the Shareholder, which has a service for the organisation of presentations and events prior to the General Shareholders’ Meeting. The Office of the Shareholder also has a specific site at the premises where the meeting is held in order to answer questions that the attendees may ask, as well as to serve and provide information to the shareholders who wish to use the floor. The Office of the Secretary of the Board of Directors, with the support of the Investor Relations Office, is responsible for maintaining dialogue with proxy advisors, responding to their queries with regard to proposed resolutions submitted at a General Shareholders’ Meeting and providing them with the clarifications deemed appropriate. Finally, the Board of Directors promotes 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, making available to them an application that allows them to request information as well as to grant a proxy and cast an absentee vote.

7. Dissemination

The Company shall publish on the corporate website an annual report regarding the practical application of the Shareholder Engagement Policy and of this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, including information regarding relations with Institutional Investors and proxy advisors.

8. Control

The Compliance Unit shall verify that in the application of this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, the Company complies with the provisions of the
Internal Regulations for Conduct in the Securities Markets and the other rules of the Corporate Governance System included within the scope of its powers.

The Board of Directors, or the Executive Committee, if applicable, are periodically informed of the principal relations that the Company maintains with shareholders, Institutional Investors, and proxy advisors by application of this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

This Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors was initially approved by the Board of Directors on 26 October 2011 and was last amended on 19 July 2016.
5

Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation

12 April 2018

1. General Premises

The Board of Directors of IBERDROLA, S.A. (the “Company”) establishes the structure of the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”). In this regard, in the exercise of the powers attributed thereto, it approves this Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation, which forms part of the Company’s Corporate Governance System.

Pursuant to the provisions of its By-Laws, the Company pursues its corporate object indirectly, by owning shares or membership interests in other companies and increasingly abroad.

The corporate and governance organisation is based on a recognition of this multinational reality of the Group, which is diversified, organised efficiently and coordinated around the Company and the various country sub-holding companies and head of business companies, subject to common guidelines and the principle of subsidiarity.

Therefore, essential premises for this Policy are the differentiation of the functions corresponding to the Company, as a holding company of the Group, domiciled in Biscay and with Spanish nationality, from the country subholding companies established in the various territories in which the Group does business, and the head of business companies, whether Spanish or foreign.

Thus, based on the foregoing premises, this Policy provides the foundations for the corporate organisation and governance of the Company and of the Group that best respond to its multinational, plurisocietal reality with a presence in various businesses and sectors and to the exigencies that currently require improved development of the corporate object and fuller satisfaction of the corporate interest.

2. Scope

This Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation shall apply to all companies of the Group.

Without prejudice to the foregoing, companies that are not wholly owned by the Group may maintain their own corporate and governance structure (with respect to said companies and their dependent entities) in order to comply with the contractual commitments assumed towards the other external shareholders. In these cases, the representatives of the Group shall endeavour to promote the application of the principles that inspire the corporate and governance structure described in the preceding section, and particularly the differentiation between the functions of day-to-day administration and effective management and those of supervision and control.

3. Definition of the Corporate and Governance Structure

The corporate organisation of the Group, which forms an essential part of the Corporate Governance System, is comprised of:

a) The Company, which is configured as a holding company, the main function of which is to act as the entity owning the equity stakes in the country subholding companies.

b) The country subholding companies, which, in each of the countries in which the Group operates, group together the equity stakes in the energy head of business companies acting in that territory. The Group also has a country subholding company for the non-energy head of business companies, which do business in various countries.

c) The head of business companies.

All of them have their own human and material resources to autonomously carry out the duties assigned thereto by the Corporate Governance System.

This corporate configuration is intended to favour an agile and rapid decision-making process in day-to-day management that is dependent on the head of business companies, while at the same time achieving appropri-
ate coordination at the Group level as a result of the supervisory duties performed by the Company’s country subholding companies.

Based on this corporate configuration, the Group’s governance model is governed by the principles described below, which duly distinguish between day-to-day and effective management duties, on the one hand, and supervision and control duties, on the other:

a) Vesting within the Company’s Board of Directors of powers relating to approval of the strategic goals of the Group, the definition of its organisational model, the supervision of compliance therewith and further development thereof, as well those relating to decisions on matters of strategic importance at the Group level, while fully observing the special framework of strengthened autonomy of the listed country subholding companies referred to in d) below.

b) Assumption by the chairman of the Board of Directors & chief executive officer, with the technical support of the Operating Committee, by the Business CEO (consejero-director general de los negocios del Grupo) appointed by the Board of Directors for this duty, with overall responsibility for all of the businesses of the Group, and by the rest of the management team, of the duty of organisation and strategic coordination within the Group through the dissemination, implementation and monitoring of the overall strategy and the basic management guidelines established by the Board of Directors. The chairman of the Board of Directors & chief executive officer shall ensure that the CEOs of the country subholding companies follow said basic management and strategy guidelines of the Group in the performance of their duties.

c) The function of strategic organisation and coordination is also strengthened through country subholding companies in those countries in which the Board of Directors of the Company has so decided. Except as provided in section 2 above, these entities group together equity stakes in the energy head of business companies carrying out their activities within the various countries in which the Group operates. This structure is rounded out with a country subholding company that groups together certain equity interests in other entities, including the non-energy head of business companies, with a presence in various countries. One of the main functions of the country subholding companies is to centralise the provision of services common to the head of business companies, always in accordance with the provisions of applicable law and especially the legal provisions regarding the separation of regulated activities. Country subholding companies have boards of directors that include independent directors, as well as their own CEOs, audit committees, internal audit areas and compliance divisions.

Country subholding companies are responsible for disseminating, implementing and supervising the general strategy and the basic management guidelines at the country level with respect to the head of business companies grouped within each of them, taking into account the characteristics and unique aspects thereof. In this regard, the country subholding companies facilitate the coordination of companies in which they hold an interest and are given the responsibility of ensuring compliance with legal provisions on the separation of regulated activities.

In order to specify the application of the Corporate Governance System based on applicable law in each country, as well as the characteristics and particular features thereof, and to comply with the responsibilities allocated by the Corporate Governance System thereto, the country subholding companies approve rules applicable to the companies in which they hold interests, and specify the application at the country level, if applicable, of the content of the basic policies or guidelines approved by the Board of Directors of the Company for the entire Group.

The CEOs of each country subholding company, appointed by their respective boards of directors, shall promote the specific application of the Corporate Policies and of the basic management guidelines at the country level, represent their respective companies before domestic institutions, and perform such other duties as are determined by each boards of directors, always acting under the supervision thereof.

d) The listed country subholding companies of the Group have a special framework of strengthened autonomy that covers three areas:

In the regulatory area, the boards of directors of the listed country subholding companies are authorised to approve their own corporate policies and other internal codes and procedures that specify, develop or make exceptions from the content of the equivalent rules of the Corporate Governance System.

In the related-party transactions area, the boards of directors of listed country subholding companies have a committee of their Board of Directors comprised exclusively of directors without a connection to the Com-
pany and that have the power to approve all transactions between the listed country subholding company and the subsidiaries thereof with the other companies of the Group (in addition to the authorisations generally required in each case based on the nature of each transaction).

In the management area, listed country subholding companies enjoy a system of strengthened autonomy vis-à-vis the Company, which prevents the Company and the other companies of the Group from giving to their management team and the management teams of their subsidiaries instructions that interfere with the exercise of the powers vested therein by the Corporate Governance System.

The special framework of strengthened autonomy is implemented in the respective contracts signed by the Company with each listed country subholding company.

e) The head of business companies of the Group assume decentralised executive responsibilities, enjoy the independence necessary to carry out the day-to-day administration and effective management of each of the businesses, and are responsible for the day-to-day control thereof.

These head of business companies are organised through their respective boards of directors, which include independent directors where appropriate, and their own management decision-making bodies; they may also have their own audit committees, internal audit areas and compliance units or divisions.

The selection of the directors of the country subholding and head of business companies shall endeavour to comply with the Board of Directors Diversity and Director Candidate Selection Policy, avoiding any implied bias entailing any kind of discrimination, and, in particular, that hinders the selection of female directors.

In order to facilitate the orderly performance of the duties inherent in its status as a holding entity of the Group, the Company’s Board of Directors establishes a number of mechanisms that allow for the exchange of information needed for the strategic coordination of the activities performed by the various country subholding companies and head of business companies, without detracting from independence in decision-making by each of them or the requirements imposed on their directors by law and those deriving from the Corporate Governance System, in the interest of all of the companies within the Group.

4. The Group’s Business Model

The corporate and governance structure of the Group in turn allows for global integration of the businesses in accordance with the Group’s Business Model, which is focused on maximising the operational efficiency of the various business units and ensures the dissemination, implementation and monitoring of the overall strategy and the basic management guidelines established for each business, primarily through the exchange of best practices among the various companies of the Group and without detracting from independence in decision-making by each of them.

5. Operating Committee

Within the Group’s corporate and governance structure, the Operating Committee is an internal committee of the Company, the essential function of which is to provide technical, information and management support to the chairman of the Board of Directors and chief executive officer, in order to facilitate the development of the Group’s Business Model.

6. Duties of the Board of Directors with respect to Corporate Organisation

The Board of Directors of the Company in any event has the following duties with respect to the corporate and governance structure of the Group:

a) At all times conform the corporate and governance structure, as well as the Business Model of the Group, to the requirements of the corporate interest, complying in all cases with applicable law and the Corporate Governance System.

b) Conform the structure of the Group to the legal requirements applicable in the jurisdictions in which it does business, and particularly to those regarding the rules of each jurisdiction on separation of regulated activities.

c) Determine the location of the headquarters of the Company and of the other non-listed companies of the Group or companies held through a listed country subholding company based on the corporate interest, and make the relevant decisions or when appropriate submit them to the shareholders at a General Shareholders’ Meeting for adoption thereof.

d) Regulate, analyse, and decide on possible conflicts of interest and related-party transactions among the companies of the Group.
As regards those affecting listed country subholding companies, the Company’s Board of Directors shall ensure compliance with the rules on related-party transactions established within the corresponding special framework of strengthened autonomy.

e) Endeavour to ensure the reconciliation of the interest of the companies in the Group that have outside shareholders with the policies and strategies of the Group.

f) Introduce appropriate strategic coordination mechanisms in the interest of the Company and of the companies within the Group, pursuant to the Group’s Business Model.

g) Approve the creation or acquisition of equity interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, might diminish the transparency of the Group.

h) Submit to a decision by the shareholders at a General Shareholders’ Meeting the assignment to dependent entities of core activities theretofore carried out by the Company, even though the Company retains full control of such entities.

In turn, as regards investee entities that do not form part of the Group, the Board of Directors, in defining the general strategy of the Group, shall respect the particular regulatory aspects affecting such entities due to their nature as a regulated or listed company, their nationality, the jurisdictions in which they do business or any other circumstance that might affect them.

7. Related-Party Transactions

The Board of Directors of the Company, or in urgent cases the Executive Committee, shall be the bodies competent to authorise Related-Party Transactions (as such term is defined in the Regulations of the Board of Directors) in which companies of the Group that are not listed companies or subsidiaries thereof participate, when they have corporate governance rules similar to those of the Company.

In those instances in which the Related-Party Transaction must be authorised by the Board of Directors or the Executive Committee of the Company, and the Company does not directly intervene in such transaction, the scope of authorisation shall be circumscribed to verification that the Related-Party Transaction is conducted under arm’s length conditions and with due observance of the principle of equal treatment of shareholders in the same situation, with the board of directors of the company participating in the Related-Party Transaction maintaining its powers to decide on whether or not it is appropriate to carry out the transaction.

8. Use of the IBERDROLA Brand

The Corporate Governance System recognises the IBERDROLA brand as a hallmark of the Company and the principal symbol of the mission, vision and values of the Group. Generally, the companies of the Group use such brand – owned by the Company – as part of their trade names and distinctive marks used to carry out their business. The use thereof is governed by the provisions of the Brand Policy and other internal rules established by the Company.

9. Presence of the Group on the Internet and in Social Media Corporate Websites

The country subholding and head of business companies of the Group shall endeavour to ensure their presence on the Internet, and in particular shall actively participate in social media in order to relate with their respective stakeholders.

For these purposes, the country subholding companies and head of business companies shall have their own identity on social media and their corporate website, the contents of which must be managed in accordance with the guidelines established for such purpose by the Company, and for each country by the country subholding companies, if applicable.

The country subholding and head of company companies shall adopt the measures necessary to avoid their corporate websites being confused with that of the Company.

The corporate websites of the country subholding companies and of the head of business companies shall be structured around specific sections intended to identify the corresponding company and its activities, describe its relationship with the Group and its position regarding corporate governance, sustainability, and the environment; and promote its relations with the most significant stakeholders and with society in general.

This Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation was initially approved by the Board of Directors on 18 December 2007 and was last amended on 12 April 2018.
Brand Policy
20 February 2018

The Board of Directors of IBERDROLA, S.A. (the “Company”), aware that the IBERDROLA brand constitutes one of its strategic assets, has approved this Brand Policy.

1. Purpose

This Brand Policy is intended to protect and contribute to the IBERDROLA brand and to establish certain basic principles of conduct allowing all of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), to use it as a springboard that contributes to its reputation and to the success of the businesses carried out by the Group.

2. The IBERDROLA Brand

The IBERDROLA Brand belongs to the Company and constitutes one of its strategic assets: it is a hallmark of its identity and the principal symbol of the Mission, Vision and Values of the Iberdrola group.

As a hallmark of identity, the IBERDROLA brand is a key element in the corporate strategy of the Company. As the symbol of the Mission, Vision and Values of the Iberdrola group, it is a springboard for creating value that can be used by all of the companies of the Group to contribute to the success of its businesses.

All of the companies of the Group must ensure that the IBERDROLA brand is associated with the principles set out in the Mission, Vision and Values of the Iberdrola group, and thus to its commitments to the maximisation of its social dividend and the creation of value, the improvement of quality of life, the safety of people and of supply, the protection of the environment and customer focus.

3. Use of the Brand

The Company may license the use of the IBERDROLA brand to all of the companies of the Group and to the entities in the nature of foundations connected thereto. All licensees shall be required to comply with the provisions of this Brand Policy and any corresponding brand licensing agreement implementing the terms and conditions for using the IBERDROLA brand.

The companies of the Group shall use the IBERDROLA brand in the same manner and according to the standards of the IBERDROLA Brand Usage Guide in effect from time to time, as well as with the clauses of the relevant brand licensing agreement on quality control.

Any use of the IBERDROLA brand that differs from the provisions of the IBERDROLA Brand Usage Guide must be authorised pursuant to the provisions of said guide.

The IBERDROLA brand may form part of the trade names and distinctive signs used by the Companies of the Group in carrying on their businesses.

Companies of the Group shall ensure that such use of the IBERDROLA brand does not cause confusion regarding their own identity and corporate independence.

For these purposes, in those situations allowed by the IBERDROLA Brand Usage Guide, all of the companies of the Group (other than the Company itself) that use the IBERDROLA brand shall use it together with their own distinctive name.

The listed country subholding companies and the subsidiaries thereof must in any case use a different corporate name and brand that contributes to the differentiation thereof as autonomous entities belonging to the Group. In such instances, the relevant brand shall belong to the listed country subholding company.

4. Ceasing Use of the Brand

The companies of the Group shall cease to use the IBERDROLA brand, including the use thereof in their own trade name or corporate name, in accordance with the provisions of any corresponding license agreement, and in any event if such use might risk the reputation of the Group or when the company no longer belongs to the Group. In this latter event, when there are circumstances that so warrant, the Company may authorise companies that no longer belong to the Group to use the IBERDROLA brand on a temporary basis.
5. Protection of the Brand

The Group shall take the actions needed to protect and contribute to the value of the IBERDROLA brand, obtaining effective protection of the Company’s rights thereto throughout the world and in all areas in which the Group is or expects to be present, particularly including the Internet and social networks. The companies of the Group may not directly or through third parties request and/or register trademarks, trade names, domain names, social profiles or any other distinctive mark that is identical or similar to the IBERDROLA brand without the prior approval of the Company.

This Brand Policy was initially approved by the Board of Directors on 22 June 2015 and was last amended on 20 February 2018.
Board of Directors Diversity and Director Candidate Selection Policy

19 December 2017

The Board of Directors of IBERDROLA, S.A. (the “Company”) recognises transparency in all its activities, including the process for selecting candidates for director and diversity within the Board of Directors, as one of the pillars of its corporate governance strategy. Therefore, the Board of Directors has approved this Board of Directors Diversity and Director Candidate Selection Policy, which is a public, specific, and verifiable policy ensuring that the proposals for appointment of directors of the Company are based on a prior analysis of the needs of the Board of Directors and ensures that there is a diversity of skills, knowledge, experience, origin, nationality, age and gender within the Board of Directors.

1. Scope of Application

This Board of Directors Diversity and Director Candidate Selection Policy shall be applicable to the selection of candidates for director of the Company who are individuals. In the case of candidates for director of the Company that are legal entities, the provisions of this Board of Directors Diversity and Director Candidate Selection Policy shall also apply to the individuals representing them. Without prejudice to the foregoing, individuals shall be favoured as candidates for director.

2. Aims in Selecting Candidates

The selection of candidates for director shall start with an analysis of the needs of the Company and of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), and which must be carried out by the Board of Directors with the advice and report of the Appointments Committee. It shall also target persons who satisfy the conditions set forth in the following sections and whose appointment favours diversity of skills, knowledge, experience, origin, nationality and gender within the Board of Directors.

3. Sources for the Identification of Candidates

The performance of executive duties within the Group, as well as duties as a director of the companies of the Group, especially of country subholding companies and of head of business companies, provides a deep understanding of the activities and internal operations thereof, which facilitates the rapid inclusion of the persons holding such positions into the dynamics of the operations of the Company’s Board of Directors. In turn, it provides first-hand knowledge of their skills, work capacity, commitment to the position and potential to provide value.

For all of the foregoing reasons, candidates who have prior experience within the Group will be given preference in the selection of directors, based on the following criteria:

a) The identification of candidates for executive director shall first take into account those officers who have been linked to the Company or other companies of the Group for at least five years.

b) The selection of candidates for independent director shall first consider external directors of companies in which the Group has an interest.

In both cases, in the absence of suitable candidates or when circumstances so justify, as acknowledged by the Appointments Committee, other profiles shall be evaluated.

For purposes of complying with the provisions of this section, the appointment of directors from outside of the companies in which the Group has an interest shall take into account the provisions of this Board of Directors Diversity and Director Candidate Selection Policy, and particularly the goals described in sections 4, 5 and 6. In addition, any director may suggest other candidates for director that meet the requirements established in this Board of Directors Diversity and Director Candidate Selection Policy.

4. Conditions to Be Satisfied by the Candidates

The selection process shall promote a search for candidates with knowledge and experience in the main countries and sectors in which the Group does or will do business.
All candidates for director of the Company must be respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties. They must also have sufficient knowledge of the Spanish and English languages to be able to perform their duties.

In particular, they must be irreproachable professionals, whose professional conduct and background is aligned with the principles set forth in the Directors’ Code of Ethics and with the corporate values contained in the Mission, Vision and Values of the Iberdrola group.

By way of guidance, the appropriateness shall be considered of candidates for director generally not exceeding the age of seventy years.

5. Grounds for Disqualification provided by Law or the Corporate Governance System.

Those persons or entities that have incurred legal grounds for disqualification from the holding of their position, or that fail to meet any of the requirements to be a director established in the Corporate Governance System and, in particular, the following, shall be ineligible as candidates for director:

a) Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or senior officers thereof, or such persons, if any, as are proposed by them in their capacity as shareholders. For clarification purposes, the companies of the Group shall not be deemed competitors of the Company.

b) Individuals or legal entities serving as directors in more companies than are permitted under the provisions of the Regulations of the Board of Directors.

c) Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets or other industries in which the Group operates.

In the case of candidates who have held high-level positions in the governments of other jurisdictions that are incompatible with the simultaneous performance of the duties of a director of a listed company, the Appointments Committee must take appropriate action to verify that the holding of such positions does not entail an impediment to the potential appointment of the candidate as a director.

d) Individuals or legal entities that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the Group.

6. Diversity in the Composition of the Board of Directors

The selection of candidates shall endeavour to ensure that a diverse and balanced composition of the Board of Directors as a whole is achieved, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its purview.

Along these lines, the Board of Directors assumes the commitment to promote diversity in the composition thereof, and for this purpose, in selecting candidates for director, shall assess candidates whose appointment favours the directors having different skills, knowledge, experience, origin, nationality, age and gender.

The diversity criteria shall be chosen based on the nature and complexity of the businesses of the Group, as well as the social and environmental context where it has a presence. Other criteria may also be taken into consideration based on the needs of the Board of Directors.

Any type of bias entailing any kind of discrimination, including for reasons of gender, ethnic origin, age or disability, shall be avoided in the candidate selection process. Any bias that hinders the appointment of female directors and that might impede achieving the Company’s goal that the number of female directors continues to account for at least thirty per cent of the total number of members of the Board of Directors in the year 2020, shall be particularly avoided.

The Board of Directors shall periodically evaluate the level of compliance and the effectiveness of its diversity policy, and especially the percentage of female directors at any particular time. The Annual Corporate Governance Report shall also include a detailed description of this policy, as well as the goals set in this regard and the results obtained.
7. External Validation

The Company may rely on the cooperation of external advisers to validate that the candidates for director meet the conditions referred to in section 4 and that they are not subject to any of the grounds for ineligibility set out in section 5 above.

This Board of Directors Diversity and Director Candidate Selection Policy was initially approved by the Board of Directors on 25 March 2015 and was last amended on 19 December 2017.
In exercise of the powers vested therein, the Board of Directors of IBERDROLA, S.A. (“Iberdrola” or the “Company”), upon a proposal of the Remuneration Committee, hereby submits this Director Remuneration Policy for approval of the shareholders at the General Shareholders’ Meeting of the Company.

1. Purpose and Basic Principles

1.1. Mission, Vision and Values of the Iberdrola group

The driving principle of the Mission, Vision, and Values of the Iberdrola group is its commitment to the sustainable creation of value in the performance of all of its activities for society, its professionals, its customers, its suppliers, its shareholders and other stakeholders. This commitment governs the day-to-day activities of the Company, channels its leadership role in its various areas of activity, focuses its strategy of maximising social dividends and guides the ethical behaviour of all personnel participating in the daily construction of Iberdrola’s business enterprise, starting with its management body.

In this regard, the ultimate goal of the Director Remuneration Policy is to help develop the Mission, Vision and Values of the Iberdrola group such that the remuneration of the Company’s directors is commensurate with the dedication and responsibility assumed, taking into consideration the Company’s desire to lead the energy sector. This desire is based on aspects like the provision of a high-quality service through the use of environmentally-friendly energy sources, innovation, digital transformation in its area of activity, the fight against climate change, and commitment to a social dividend and the generation of employment and wealth in its surroundings.

1.2. Basic Principles

The Board of Directors has found proper decision-making and a clear commitment to the corporate values are two of the main principles determining the performance of companies, particularly in the energy sector: all of them can choose similar businesses, markets and technologies, but their performance is different, based on the principal differentiating elements of talent, efforts, creativity, leadership and the ability to translate one’s commitment into a mission, vision and values.

Within this context, the basic principles governing this Director Remuneration Policy are the following:

a) Provide suitable remuneration for the dedication and responsibility assumed by the directors, in line with the market remuneration paid by companies with comparable capitalisation, size, ownership structure and international scope. This will be essential for recruiting and retaining the best candidates.

b) To this end, the Remuneration Committee periodically engages in a benchmark analysis of remuneration systems applicable to comparable companies at the international level.

c) Align the remuneration policy of the Company as a whole with its values, with its commitment to maximise its social dividend and with shareholder return, as these terms are defined in the By-Laws, within the framework of the commitment of the Iberdrola group to all of its Stakeholders.

d) Ensure that the remuneration helps to achieve the strategic goals of Iberdrola, which are periodically published.

1.3. Principles Governing the Remuneration of the Executive Directors

As regards the executive directors, the Director Remuneration Policy follows the same standards as the Senior Officer Remuneration Policy and shares the same principles and guidelines as the remuneration policy for all employees of the Company: a commitment to the Mission, Vision and Values of the Iberdrola group, personal and corporate ethics, excellence in hiring, continuous training, gender equality, meritocracy and recognition of talent, reconciliation, and relevancy of the variable component of the remuneration package.

In particular, the main principles governing the remuneration of the executive directors are the following:

a) Ensure that the remuneration, in terms of structure and total amount, is in line with best practices, as well as competitive vis-à-vis that of comparable entities at the domestic and international level, taking into account the situation of the regions in which the Group operates.

b) Establish the remuneration in accordance with objective standards based on individual performance and on the achievement of the business objectives of the Company and the Group.

c) Include a significant annual variable component tied to performance and to the achievement of specific, pre-established, quantifiable objectives in line with the corporate interest, the Mission, Vision and Values of
the Iberdrola group and the strategic goals of the Company. The application of this Director Remuneration Policy shall take into consideration economic/financial, operational/industrial and corporate social responsibility parameters for these purposes.

d) Foster and encourage the attainment of the strategic goals of the Company through the inclusion of long-term incentives, strengthening continuity in the competitive development of the Group, of its directors and of its management team, and generating a motivating effect that acts as a driving force to ensure the loyalty and retention of the best professionals.

e) Set appropriate maximum limits to any variable remuneration as well as suitable mechanisms in order for the Company to be able to obtain reimbursement of the variable components of remuneration if the payment has not conformed to the terms of performance or if such variable components have been paid based on information later shown to be inaccurate.

2. Overall By-Law Limitation on Director Remuneration

Pursuant to article 48.1 of the By-Laws, the amount that the Company allocates annually to the directors as remuneration is limited to a maximum amount equal to 2% of the consolidated group profits obtained during the financial year, after covering legal and other mandatory reserves and the issuance to the shareholders of a dividend of at least 4% of the share capital.

This limit includes the amount corresponding to the executive directors for the performance of executive duties, as well as the endowment of funds to meet the obligations of the Company regarding pensions, the payment of life and casualty insurance premiums, coverage for and payment of severance compensation in favour of current and former directors, and the operational costs of the Board of Directors and the committees thereof.

For the purpose of establishing such limit, the quoted price of shares or options thereon or remuneration indexed to the listing price of the shares shall not be calculated, which remuneration shall in all cases require the approval of the shareholders at a General Shareholders’ Meeting.

3. Competent Bodies

Within the by-law framework referred to above, the shareholders acting at a General Shareholders’ Meeting are vested with the power to approve this Director Remuneration Policy, which constitutes the Company’s highest-level rules on remuneration after the By-Laws.

Within the overall limit established in the By-Laws and in accordance with the provisions of law and this Director Remuneration Policy, the Board of Directors, upon a proposal of the Remuneration Committee, is vested with the power to specify the remuneration of the directors, except for remuneration consisting of the delivery of shares of the Company or of options thereon, or remuneration indexed to the value of the shares of the Company, which must be approved by the shareholders acting at a General Shareholders’ Meeting.

4. Structure of the Remuneration of Directors in their Capacity as Such

The remuneration to which directors are entitled in their capacity as such is structured in accordance with the following standards within the framework of legal and by-law provisions:

4.1. Fixed Amount

Directors receive a fixed annual amount that is commensurate with market standards, in keeping with the positions they hold on the Board of Directors and in the committees on which they sit, always taking into account the overall by-law limit on director remuneration set forth in section 2 above.

The fixed remuneration of the directors in their capacity as such is included within the limit reflected in section 2 of this Policy, which also includes the remuneration of the executive directors for the performance of their executive duties, as well as the funding of pensions, the payment of life and casualty insurance premiums, coverage for and payment of severance compensation, and the operational costs of the Board of Directors and the committees thereof. The maximum amount of the annual remuneration to be paid to all directors in their capacity as such is 7,000 thousand euros.

4.2. Coverage of Risk and Civil Liability Benefits

The Company pays the premiums under insurance policies that it has taken with certain insurance companies for the coverage of the death or disability of directors caused by accidents, and the Company itself assumes coverage of benefits for the death or disability of directors due to natural causes. Furthermore, the Company pays the premiums under insurance policies providing coverage against civil liability deriving from holding the office of director.
4.3. Non-competition

External non-proprietary directors who cease to hold office prior to the expiration of the term to which they were appointed, if such cessation is not the consequence of a breach attributable thereto or exclusively due to the director’s own decision, may not hold office in management decision-making bodies of companies within the energy industry or of other competitor companies or participate in any other way in the management thereof or in the provision of advice thereto for the remaining term of their appointment (with a maximum of two years). Non-executive directors who cease to hold office due to the provisions of the succession plan included in the General Corporate Governance Policy shall not be subject to any non-compete commitment, nor shall they have the right to receive any compensation for the cessation from office. This right shall also not be held by directors who cease to hold office voluntarily or as a result of a breach of their duties.

In other cases, the compensation to which external non-proprietary directors are entitled for the non-compete commitment shall be equal to 90% of the fixed amount that the director would have received for the remainder of the director’s term (assuming that the annual fixed amount that the director receives at the time of cessation from office is maintained), with a maximum equal to two times 90% of such annual fixed amount.

5. Structure of Remuneration of Executive Directors for the Performance of Executive Duties

The remuneration that executive directors are entitled to receive for the performance of executive duties at the Company (i.e. other than the duties inherent in their status as members of the Board of Directors) is structured as follows:

5.1. Fixed Remuneration

This portion of the remuneration shall be in line with the remuneration paid in the market by companies with comparable capitalisation, size, ownership structure and international scope.

In 2018, the chairman & CEO will have the right to receive annual fixed remuneration of 2,250 thousand euros, and the Business CEO will have the right to receive 1,000 thousand euros.

The remuneration of the executive directors will change based on the specific responsibilities and nature of the functions performed and will be reviewed annually by the Board of Directors upon a proposal of the Remuneration Committee.

For these purposes, this Committee may rely on external advisors to perform the market studies and analyses that it deems appropriate.

5.2. Short-term Variable Remuneration

A portion of the remuneration of executive directors (and of that of officers and employees) is variable, in order to strengthen their commitment to the Mission, Vision and Values of the Iberdrola group and its strategic goals and to incentivise the best performance of their duties. The maximum variable remuneration for each year will be that which is stipulated in the Annual Director Remuneration Report.

The targets to which the remuneration of the chairman & CEO will be linked shall be those reflected in the Annual Director Remuneration Report, and will be related to parameters such as:
- Net Profit, Gross Operating Profit (EBITDA), cash flow, etc.
- Shareholder remuneration compared to other securities and indices.
- Development and application of the Stakeholder Relations Policy and commitment to the social dividend.
- Equality policies.
- Commitment and results in the fight against climate change in line with what was approved by the shareholders at the General Shareholders’ Meeting 2017.
- Management of corporate reputation, measured by the Company’s presence on sustainability and ethics indices.
- Promotion of good governance and best practices.

For other executive directors, the targets to which his variable remuneration will be linked will be those relating to parameters such as:
- Net Profit, Gross Operating Profit (EBITDA), cash flow, etc.
- Level of the Group’s efficiency level measured by operating expenses over gross margin.
- Selection and implementation of profitable investments that create value.
- Levels of occupational safety and labour climate.

In each Annual Director Remuneration Report, the Company shall report on the implementation of this Policy and on the specific goals for each financial year and the level of achievement thereof.

The Remuneration Committee shall evaluate the performance of each of the executive directors, for which purposes it may rely on the advice of an independent expert, and shall submit a reasoned proposal to the Board of Directors for approval thereof.
The Board of Directors shall have a margin of discretion in evaluating compliance with the indicators, based on a proposal made by the Remuneration Committee, taking into account regulatory uncertainty, among other factors.

5.3. Long-term Variable Remuneration: Share Delivery Plans

The Company has a long-term incentive plan in effect directed towards employees who, due to their position or responsibility within the Group, are considered to contribute decisively to the creation of value, and towards the executive directors, consisting of the delivery of shares linked to the performance of the Group in relation to the development of the Outlook 2016-2020 and subsequent updates thereof approved by the Board of Directors. Share delivery plans are subject to approval by the shareholders at a General Shareholders’ Meeting, who also set the objective and quantifiable parameters determining the accrual thereof as well as their relative weighting. The shareholders at the General Shareholders’ Meeting held on 31 March 2017 approved the 2017-2019 Strategic Bonus along these lines.

The parameters include economic/financial and comparative total shareholder return, operational/industrial and corporate social responsibility variables, and must in any case be consistent with the strategy of the Company determined by the Board of Directors, with a minimum level beyond which they are considered to be achieved and a target to reach the highest grade.

The Remuneration Committee evaluates performance and determines compliance with pre-established parameters. The committee may seek the advice of an independent expert for this purpose. The proposal thereof shall be submitted to the Board of Directors for approval.

The plans typically have a duration of six years, of which the initial three-year period is the period for evaluating the performance level compared to the parameters to which the plan is linked, and the next three years are the payment period during which the shares are delivered on a deferred basis.

In order to engage in a proper overall evaluation of performance, circumstances occurring after the approval of each of the plans having a material impact, either positive or negative, on the Outlook 2016-2020 and subsequent updates thereof or on the main economic/financial variables of the Company (corporate transactions, mergers, split-offs, acquisitions, extraordinary dividends, etc.) shall be taken into account.

At the end of the evaluation period for each of the incentive plans, the plan shall accrue annually in equal parts (in the case of the 2017-2019 Strategic Bonus, the accrual shall occur during the first half of 2020 and during the first quarter of 2021 and 2022). Each annual accrual and the corresponding payment thereof must be approved by the Board of Directors, after a report from the Remuneration Committee.

In this connection, during each of the three years of the payment period and for each delivery of shares, it is expected that there will be an evaluation whether to confirm or totally or partially cancel the corresponding payment and, if applicable, to claim the total or partial reimbursement of the shares already delivered (or the amount thereof in cash) under certain circumstances. The shares shall be delivered along with the remuneration corresponding to said shares that has accrued since the initial allocation thereof to the beneficiaries.

Furthermore, executive directors who are beneficiaries of the incentive plans may not transfer ownership of the shares received for a period of three years unless they are the direct or indirect holders of a number of shares equal to two times their annual fixed remuneration or unless the Board of Directors so approves under exceptional circumstances.

5.4. Remuneration for holding the position of director at other companies of the Group that are not wholly owned

Executive directors and officers of the Group who hold the position of director at companies that are not wholly owned, either directly or indirectly, by the Company, may receive remuneration corresponding to the position from said companies in accordance with their corporate governance rules on the same terms as the other directors.

5.5. Neutrality

The Board of Directors shall ensure that variable remuneration of any kind may not be based merely on the general performance of the markets, of the industry in which the Company operates or on other similar circumstances.

5.6. Benefits

The remuneration system for executive directors may be supplemented by health and life insurance, in line with practices in the market by companies with comparable capitalisation, size, ownership structure and international scope. The Company does not currently have any commitment to provide defined contributions or defined benefits to any retirement or long-term saving system of any director.

5.7. Malus and Claw-Back Clauses

The Board of Directors, with due regard to any proposal made by the Remuneration Committee, has the power to cancel the payment of long-term variable remuneration (malus clause) or to request the return of remunera-
tion already paid (claw-back clauses) under special circumstances. These circumstances include fraud, serious violation of the law and a material restatement of the financial statements on which the Board based the evaluation of the performance level, provided that said restatement is confirmed by the external auditors and is not due to a change in accounting rules.

The Board of Directors also has the power to suspend the payment of short-term variable remuneration if the beneficiary thereof has seriously breached the Code of Ethics without having remedied the consequences of said breach.

In the case of the Strategic Bonus, the power to demand a return of shares delivered shall be governed by a resolution of the shareholders acting at a General Shareholders’ Meeting and the provisions of the rules implementing said resolution and approved by the Board of Directors, after a report from the Remuneration Committee. The proportion of the amounts to be withheld or recovered shall be determined in the discretion of the Board of Directors, after an opinion of the Remuneration Committee, based on the specific circumstances giving rise to the demand.

5.8. Severance Clauses

Since the end of the 1990s, the executive directors, as well as a group of officers, have the right to receive severance compensation in the event of termination of their relationship with the Company, provided that such termination is not the consequence of a breach attributable thereto or of the sole decision thereof. In the case of the chairman & CEO, he is entitled to three times annual salary. Any reduction in the number of annual salary payments to this group might entail a high cost for the Company, for which reason the Board of Directors has decided not to change the current status quo, given the average age of the affected group and the practically non-existent execution of these types of guarantees. Each annual director remuneration report describes the ongoing reduction in the number of affected persons and any payment of this type of severance in each financial year. Since 2011, a severance limit of two times annual salary applies to new contracts with executive directors and senior officers, as well as the Group’s Business CEO.

5.9. Appointment of New Executive Directors

To the extent possible, the remuneration of new executive directors shall be in line with the remuneration policy for the current executive directors. The fixed remuneration of the new executive directors shall be set at the time of their appointment taking into account market terms and comparable positions as well as their experience level. New executive directors shall participate in annual long-term incentives based on the same principles as the current ones. The Board of Directors, after taking account of the recommendation of the Remuneration Committee, reserves the right to deviate from established practice to the extent necessary to ensure the hiring of appropriate candidates, in view of the Company interest.

6. Adjustment to Economic Situation and International Environment

The application of this Policy shall be appropriately adjusted to conform to the economic situation and international environment, upon a proposal of the Remuneration Committee, which may rely on the advice of an independent expert to this end. If appropriate, all of the details of and reasons for any adjustment shall be provided to the shareholders in the next published annual director remuneration report.

7. Basic Terms of the Contracts with Executive Directors

a) Indefinite duration

The contracts with executive directors of the Company are of indefinite duration, and financial compensation is contemplated therein, as set out in sections 5.8 and 7.d), in the event of termination of the contractual relationship with the Company, provided that such termination does not occur exclusively due to the decision of the executive directors to withdraw or as a result of a breach of their duties.

b) Applicable legal provisions

The contracts with executive directors are governed by the legal provisions applicable in each case.

c) Compliance with the Company’s Corporate Governance System

Executive directors have the duty to strictly observe the rules and provisions contained in the Company’s Corporate Governance System, and especially, given the significance thereof, the principles and guidelines set out in the Preamble and in the Preliminary Title of the By-Laws, as well as in the Code of Ethics, which in any case shall be the reference point for the proper interpretation of the provisions of this Director Remuneration Policy.

d) Non-competition

Given the scope of their knowledge of the design and execution of the Company’s strategy and business plans, the contracts with executive directors in all cases establish a duty not to compete with respect to com-
panies and activities that are similar in nature during the term of their relationship with the Company and for a period of between one and two years thereafter. As consideration for such commitments, the executive directors are entitled to a severance payment equal to the remuneration for such period.

e) Confidentiality and return of documents

There is a rigorous duty of confidentiality both during the term of the contracts and after the relationship has terminated. In addition, upon termination of their relationship with the Company, the executive directors must return to the Company any documents and items in their possession relating to the activities carried out thereby.

8. Principle of Full Transparency

The Board of Directors of the Company assumes the commitment to enforce the principle of the fullest transparency of all the items of remuneration received by all directors, providing clear and adequate information as much in advance as required and in line with the good governance recommendations generally recognised in international markets in the area of director remuneration.

For such purpose, the Board of Directors establishes this Director Remuneration Policy and ensures the transparency of director remuneration by including in the Company’s annual report a detailed breakdown, according to positions and status, of all remuneration received by the directors, whether as such, in their capacity as executives, if applicable, or in any other capacity, and whether such remuneration has been paid by the Company or by other companies of the Group.

In addition, the Board of Directors prepares the Annual Director Remuneration Report on an annual basis, which is made available to the shareholders upon the call to the General Shareholders’ Meeting and is submitted to a consultative vote as a separate item on the agenda.

This Director Remuneration Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended by the Company’s General Shareholders’ Meeting on 13 April 2018.
Senior Officer Remuneration Policy
25 March 2015

The Board of Directors of IBERDROLA, S.A. (the “Company”) approves this Senior Officer Remuneration Policy in exercise of the powers granted thereto.

The Company desires to continue to focus on the ongoing improvement and full alignment of the Senior Officer Remuneration Policy with the good governance recommendations generally recognised in international markets in the area of senior officer remuneration, adjusting them to the specific needs and circumstances of the Company and of the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).

1. Scope

For purposes of the Company’s Corporate Governance System, senior officers are deemed to be those officers who report directly to the Board of Directors, to the chairman thereof or to the chief executive officer of the Company and, in all cases, the director of the Internal Audit Area, as well as any other officer that the Board of Directors deems to be a senior officer.

2. Purpose and Basic Principles

The purpose of the Senior Officer Remuneration Policy is to offer remuneration systems that make it possible to attract, retain, and motivate the most qualified professionals, in order to enable the Company and the Group to attain their strategic objectives within the increasingly competitive and internationalised context in which they operate.

In accordance with this purpose, the Senior Officer Remuneration Policy seeks to:

a) Ensure that the remuneration, in terms of structure and total amount, is in line with best practices, as well as competitive vis-à-vis that of comparable entities at the domestic and international level. It has been established by taking into account the differences existing in the area of senior officer remuneration in the various regions in which the Group operates.

b) Establish the remuneration, in accordance with objective standards, based on the individual performance of the senior officers and on the achievement of the corporate objectives of the Company and the Group.

c) Include a significant annual variable component tied to the achievement of specific, pre-established, quantifiable objectives in line with the corporate interest and strategic goals of the Company. The foregoing should be understood to be without prejudice to the possibility of considering other objectives, especially in the area of corporate social responsibility.

d) Foster and encourage the attainment of the strategic goals of the Company through the inclusion of long-term incentives, strengthening continuity in the competitive development of the Group and of its management team, and generating a motivating effect that acts as a driving force to ensure the loyalty and retention of the best professionals.

e) Set appropriate maximum limits to any short-term or long-term variable remuneration, and establish suitable mechanisms to reconsider the implementation and payment of any deferred variable remuneration when a reformulation occurs that has a negative effect on the Company’s consolidated annual accounts, including the potential total or partial cancelation of payment of deferred variable remuneration in the event of a correction of the annual accounts on which such remuneration was based.

Without prejudice to all of the foregoing, the Senior Officer Remuneration Policy shall be suitably adjusted to the prevailing economic situation and the international context.

3. Competent Bodies

The Board of Directors is the body with authority to approve the Senior Officer Remuneration Policy as well as the basic terms of the contracts with senior officers, based for such purpose on a proposal that the chairman of the Board of Directors or the chief executive officer makes to the Remuneration Committee for the issuance of a report thereon and the submission thereof to the Board of Directors.
Pursuant to the provisions of the Company’s Corporate Governance System, the establishment of senior officer remuneration systems consisting of the delivery of shares of the Company or of rights thereon, or of remuneration indexed to the value of shares, requires the approval of the shareholders acting at a General Shareholders’ Meeting.

4. Structure of Senior Officer Remuneration

As in the case of the chairman of the Board of Directors & chief executive officer, the remuneration package for senior officers primarily consists of:

a) Fixed remuneration, adjustable on an annual basis.

b) Variable remuneration, consisting of an annual variable component (short term) and another tied to the Company’s performance with respect to certain specific, pre-established, and quantifiable economic/financial, industrial, and operational parameters in line with the strategic (long term) goals of the Company and of the Group.

The parameters shall refer mainly to economic/financial, industrial, and operational aspects and shall be specific, pre-established, quantifiable parameters in line with the corporate interest and with the strategic goals of the Company, as well as with the creation of shareholder value over the long term and in a sustained fashion, taking into account the senior officer’s area of activity and individual performance.

The timeframe to be used for guidance purposes in medium- and long-term remuneration programmes shall be three years, and in the case of systems linked to shares of the Company, excessive dilution shall be avoided and the amount of remuneration shall be calculated at market prices. Appropriate minimum holding periods may be established in respect of a portion of the shares received. If there is a correction in the annual accounts upon which such remuneration was based, the Board of Directors shall evaluate whether it is appropriate to totally or partially cancel payment of the deferred variable remuneration.

It is also ensured that the accrual of variable remuneration of any kind is not based merely on the general performance of the markets, of the industry in which the Company operates, or on other similar circumstances.

c) A set of benefits, including insurance and social security systems as well as in-kind remuneration.

5. Basic Terms of the Contracts

Such terms are the following:

a) Indefinite Duration

The contracts with the Company’s senior officers are of indefinite duration, and financial compensation is contemplated therein in the event of termination of the contractual relationship with the Company, provided that such termination does not occur exclusively due to the senior officer’s decision to withdraw or as a result of a breach of the senior officer’s duties.

The amount of the severance payment is established in accordance with length of service and the reasons for the senior officer’s withdrawal from office, up to a maximum of five times annual salary. A limit of two times annual salary shall apply to new contracts with senior officers signed as from 2011.

b) Applicable Legal Provisions

The contracts with the Company’s senior officers are governed by the legal provisions applicable to senior officer special employment relationship agreements or by such special terms and conditions of the common employment system (régimen laboral común) as are determined by the Company or as legally apply from time to time.

c) Compliance with the Company’s Corporate Governance System

All of the Company’s senior officers have the duty to strictly observe the rules and provisions contained in the Company’s Corporate Governance System to the extent applicable thereto.

d) Non-competition

The contracts with senior officers in all cases establish a duty not to compete with respect to companies and activities that are similar in nature to those of the Company and the Group, during the term of their relationship with the Company and for a period of not less than one year following termination thereof, and also provide for payment, for each year of duration of such agreement not to compete, of an amount equal to 50% of the fixed remuneration received during the last full financial year.
e) Confidentiality and Return of Documents

A rigorous duty of confidentiality is established, which must be assumed by the senior officer and complied with both during the term of the contract and once the relationship has terminated, with the Company reserving the right to bring such legal actions as may be appropriate to defend its interests. In addition, the senior officer must return to the Company any documents and items relating to the senior officer’s activity that are in the senior officer’s possession upon termination of the relationship with the Company, in accordance with such terms and conditions as are set forth by the Company.

This Senior Officer Remuneration Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 25 March 2015.
Auditor Contracting and Relations Policy

22 February 2016

The Audit and Risk Supervision Committee of IBERDROLA, S.A. (“Iberdrola” or the “Company”) approves this Auditor Contracting and Relations Policy (the “Policy”), the purpose of which is to ensure that the position of auditor of the Company is held by an independent firm that has the technical qualifications required to perform its work in an efficient and responsible manner and in accordance with applicable legal provisions. This Policy governs the selection, appointment, re-election, and, if applicable, removal of the auditor of the individual accounts of the Company and of the accounts of the Company consolidated with those of the companies making up the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as the framework for relations with such auditor. This Policy also sets forth the principles that must govern the selection, appointment, re-election, and, if applicable, removal of the auditors of the other companies within the Group, as well as the framework of relations between such companies and their auditors.

1. Appointment, Re-election, and Removal

The appointment, re-election, and removal of the auditor that is to verify the individual annual accounts of the Company as well as the accounts of the Company consolidated with those of the companies belonging to the Group is within the purview of the shareholders acting at the General Shareholders’ Meeting. The Board of Directors shall submit to the shareholders at the General Shareholders’ Meeting the proposal for appointment, re-election, or removal of such auditor pursuant to the provisions of this Policy and applicable legal provisions.

2. Procedure for Selection, Contracting, and Proposal for Appointment

The Audit and Risk Supervision Committee shall establish the minimum requirements to be satisfied by entities applying to act as auditors of the Company, as well as the most appropriate selection and contracting procedure, which must be impartial, transparent, efficient, and non-discriminatory, and contemplate the holding of a tender among the various candidate entities to ensure compliance with the foregoing requirements. For such purposes, the Audit and Risk Supervision Committee shall approve a set of bid terms and conditions for all candidates invited to participate in the procedure, whereby they may become familiar with the activities of the Company and the characteristics and scope of the required services, including any services other than auditing. The bid terms shall also contain a tentative schedule for the process. To protect the integrity of the selection process and the confidential information that the Company makes available to the candidates, a corresponding confidentiality agreement shall be signed with each of them. The bid terms and conditions shall include transparent and non-discriminatory selection criteria, which the Company shall apply objectively in evaluating the bids submitted. These criteria must ensure the independence of the auditor, the sufficiency and suitability of its experience, solvency and operational capacity, and strict compliance with any other requirement or demand of any applicable legal provisions that may be established at any time. The Audit and Risk Supervision Committee shall establish a weighting for each of the selection standards set out in the bid terms and conditions, which shall not form a part thereof.

The Audit and Risk Supervision Committee may rely on the collaboration of any division or area of Iberdrola or the companies of the group. In this regard, the division or area specified by the Audit and Risk Supervision Committee in the bid terms and conditions shall make conclusions regarding the selection process in a report to be ratified by the committee.

The candidates shall submit their bids to the Audit and Risk Supervision Committee at one or more meetings called for this purpose, at which the committee may ask the candidates questions and request the clarifications it deems appropriate.

During the selection process, the Audit and Risk Supervision Committee shall ensure, among other things, strict compliance with the regulations applicable to the selection and contracting of auditors, and particularly the equal treatment of the candidates.
The Audit and Risk Supervision Committee may provide in the bid terms and conditions for the possibility of not giving an award or abandoning the tender. Communications with the candidates shall in any event be led by the Audit and Risk Supervision Committee. The candidates must refrain from requesting additional information through channels other than those established by the Audit and Risk Supervision Committee for such purpose in the bid terms and conditions. Furthermore, no company of the Group shall respond to any question or request for information that is not channelled through the Audit and Risk Supervision Committee.

The Audit and Risk Supervision Committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders’ Meeting, for appointment of an audit firm as the Company’s auditor if it has evidence that such firm is affected by any circumstance of lack of independence, prohibition, or disqualification pursuant to the legal provisions governing the audit of accounts. In particular, if the fees accrued from the provision of audit services and services other than audit that the Company and any other entity of the Group expect to pay the auditor or audit firm or a member of its network during each of the last three consecutive financial years represent more than fifteen per cent of the total annual income of the auditor or audit firm and of said network.

In addition, the total fees received for services other than audit may not exceed sixty per cent of the average of the fees paid during the last three financial years for audit work provided to the Company and to the other entities of the Group.

The tender may include the selection of the auditor of other companies of the Group provided that applicable legal provisions in each case do not prevent the selection thereof. Once the bids submitted have been evaluated in accordance with the criteria set forth in the bid terms and conditions, the Audit and Risk Supervision Committee, based on the report, if any, submitted by the relevant division or area, shall submit to the Board of Directors a report recommending two candidates to serve as auditor of the individual accounts of the Company and the accounts of the company consolidated with those of its subsidiaries, indicating its preference for one of them and providing sufficient grounds therefor. In indicating its preference for one of the candidates in its report, the Audit and Risk Supervision Committee shall state that its recommendation is free from any third-party influence and that no contractual provision has been imposed upon it whereby the election is restricted to certain categories or lists of auditors, pursuant to the terms of applicable legal provisions.

In view of the report, the Board of Directors shall propose to the shareholders at the General Shareholders’ Meeting the appointment of one of the two candidates selected by the Audit and Risk Supervision Committee, with the reasons for the proposal if it differs from the preference of this committee.

3. Proposal for Re-election

Before the end of the financial year in which the appointment of the Company’s auditor is to expire, the Audit and Risk Supervision Committee shall consider its possible re-election or, if appropriate, the commencement of the procedure for selecting and contracting a new auditor, pursuant to the provisions of the preceding section. To such end, the Audit and Risk Supervision Committee shall take into account the result of the annual evaluation of the independence and quality of the work performed by the Company’s auditor, as well as any time and quantitative limits established by applicable legal provisions.

In view of the foregoing, upon a proposal of the Audit and Risk Supervision Committee, the Board of Directors shall submit the proposal for re-election of the Company’s auditor to the shareholders at the General Shareholders’ Meeting. If the proposed re-election is approved, the shareholders shall authorise the Board of Directors, with the express power of substitution, to enter into the corresponding services agreement.

4. Proposal for Removal

The Board of Directors may only propose the removal of the auditor to the shareholders at the General Shareholders’ Meeting if so allowed by legal provisions, after a report from the Audit and Risk Supervision Committee.
5. Relationship with the Auditor
The Board of Directors shall maintain an objective, professional, and ongoing relationship with the Company’s auditor, and shall at all times respect the independence thereof. Such relationship shall normally be channelled through the Audit and Risk Supervision Committee.
The Board of Directors shall meet with the auditor at least once per year in order to receive information regarding the work performed and regarding the accounting status and risks of the Company.
The Audit and Risk Supervision Committee shall perform, on an annual basis, a formal evaluation of the quality of the work carried out by the auditor during the financial year and of the level of coordination among the different firms performing audit work at entities within the Group, if there is more than one such firm. To this end, it shall regularly receive information regarding the audit plan and the implementation thereof.
For its part, the auditor shall submit to the Audit and Risk Supervision Committee an annual report with its recommendations as a product of its work.
The auditor may carry out limited audits or reviews of the interim accounts that are published with a frequency of less than one year pursuant to applicable legal provisions.

6. Independence
The Company’s Corporate Governance System ensures the establishment of the required relations between the Audit and Risk Supervision Committee and the auditor so that it receives this specific information regarding matters that might entail threats to the independence thereof.
The Audit and Risk Supervision Committee shall endeavour to ensure that the auditor of the Company is independent and that this is made clear in the relations between them. To this end, it must authorise, prior to formalisation thereof, any contract it intends to sign with the auditor or with any member of its network for the provision of services other than auditing to the Company or any of the companies of its Group, in order to be able to individually and globally analyse the threats to independence that might arise from said contracts.
The Audit and Risk Supervision Committee shall continuously communicate and coordinate with the audit and compliance committees of the other companies of the Group for this purpose.
The Company’s Audit and Risk Supervision Committee shall also be immediately informed of any contracting of audit or non-audit services from firms performing audits of the Group, with a level of detail sufficient to allow it to perform a global and effective analysis of the effect that the contracting of these services may have on independence from an individual and collective viewpoint.
The Audit and Risk Supervision Committee shall receive from the Company’s auditor, on an annual basis, written confirmation of its independence in respect of the Company or entities directly or indirectly related thereto, as well as a detailed breakdown of information regarding additional services (other than auditing) of any kind provided to such entities by said auditor or by persons or entities related thereto, pursuant to the legislation governing the audit of accounts.
The Audit and Risk Supervision Committee shall issue, on an annual basis and prior to the issuance of the audit report, a report setting forth an opinion on the independence of the auditor. This report must contain an assessment of the possible impact on the independence of the auditor of each and every one of the additional services other than the legal audit referred to in the preceding paragraph, considered individually and as a whole.
Furthermore, the Audit and Risk Supervision Committee shall monitor the internal procedures for assuring quality and safeguarding independence implemented by the Company’s auditor.
The audit firms carrying out audits of accounts at companies of the Group shall on an annual basis provide to the Audit and Risk Supervision Committee, through the audit committees or the bodies at each company assuming the powers thereof, information regarding the profiles and the track record of the persons making up the audit teams working for the Company and the Group, with specific mention of the changes in the composition of such teams compared to the immediately preceding financial year.
If the proposed appointment is approved, the shareholders shall authorise the Board of Directors, with the express power of substitution, to enter into the corresponding services agreement.
In addition, the Audit and Risk Supervision Committee shall receive information on professionals joining any of the companies within the Group who were formerly employed by any of the Group’s audit firms.
7. Transparency
The Board of Directors shall make public the fees paid by the Company to the various audit firms working for the Group, both in consideration for the audit of accounts and for services other than the audit of accounts, specifying the fees paid to the auditor and those paid to any company of the network to which the auditor belongs or to any other company to which the auditor is related under a relationship of joint ownership, management, or control.
The activities report of the Audit and Risk Supervision Committee, which shall be submitted to the Board of Directors for approval and shall subsequently be made available to shareholders and investors, shall contain information regarding the significant aspects of the auditor’s activity during the financial year.
Any information regarding the audit of accounts required in the Annual Corporate Governance Report shall first be reviewed by the Audit and Risk Supervision Committee.

8. Auditors of the Other Companies of the Group
Companies legally considered to be public utilities within the European Union shall carry out their own procedures for the selection, appointment, re-election, and removal of auditors, which shall be conducted independently and shall be governed by the same rules and principles as those contained in this Policy, provided that they are not incompatible with specific legal provisions that may apply in each case. Those companies in other countries whose respective applicable legal provisions so require shall also do so.
Their respective tenders for the selection of an auditor may include the award of audit work at their subsidiaries when so permitted by applicable legal provisions.
In any event, the relations between the other companies within the Group and their respective auditors shall be governed by the principles of independence and transparency set forth above, also taking into account any specific regulations applicable thereto in each case.

This Auditor Contracting and Relations Policy was initially approved by the Audit and Risk Supervision Committee on 23 November 2005 and was last amended on 22 February 2016.
The Board of Directors of IBERDROLA, S.A. ("Iberdrola") recognises the constant focus on the financial information that it provides to the market to be a strategic goal. This Iberdrola Group Financial Information Preparation Policy seeks to define an orderly process for preparing the consolidated financial information applicable to all companies belonging to the group of which Iberdrola is the controlling entity, within the meaning established by law (the "Group"), one that is consistent with the principles of subsidiarity and decentralised management that govern the corporate structure and governance model of the Group, that ensures the consolidated financial information of Iberdrola has been prepared based on information provided by the various companies of the Group, and that clearly describes the responsibility of its management decision-making bodies in such process.

The main goal of this process is to ensure that the consolidated financial information that Iberdrola publishes reflects a true and fair view of the assets and liabilities, the financial position, the results and the cash flows of the group made up of the companies included in the consolidation.

1. Scope

This Iberdrola Group Financial Information Preparation Policy shall apply to all companies of the Group and shall affect the process of preparing the consolidated annual accounts, the interim management statements corresponding to the results of Iberdrola and its consolidated group for the first and third quarter, and the half-yearly financial report (the "Consolidated Financial Information").

2. Principles

The Iberdrola Group Financial Information Preparation Policy rests upon the following principles:

a) The formulation of the individual financial information of each of the companies of the Group is the responsibility of the management decision-making bodies of each company.

b) At country subholding companies, the responsibility of their management decision-making bodies shall extend to the formulation of the financial information of the consolidated subgroup made up of the country subholding company and its subsidiaries if the formulation of such information is required by applicable law or if the management decision-making body of the relevant country subholding company deems it appropriate to formulate such consolidated information.

c) Without prejudice to the provisions of law, the management decision-making body of each company shall also be responsible for the formulation of any financial information relating to its respective company that may be required to prepare the Consolidated Financial Information within the framework of the accounting consolidation process in accordance with the models and scopes defined by Iberdrola’s Administration and Control Division (the "Financial Information for Consolidation").

d) The management decision-making bodies of the country subholding companies shall also be responsible for approving the Financial Information for Consolidation within which the company itself and its subsidiaries are included, and which form part of its subgroup.

e) The Financial Information for Consolidation shall be prepared in accordance with the accounting standards established in the Accounting Policies Handbook and the models approved by Iberdrola’s Administration and Control Division.

f) Without prejudice to the principles set forth above, the management teams responsible for preparing the Financial Information for Consolidation of each of the companies of the Group shall coordinate with Iberdrola’s Administration and Control Division to reach agreement on the interpretive accounting standards to take into consideration when preparing such information. Any disagreement in this regard shall be reflected in writing when submitting the Financial Information for Consolidation.

g) Within the context of preparing the Consolidated Financial Information, companies with Financial Information for Consolidation that is covered by the scope of the verification procedures of Iberdrola’s external auditor shall ensure that the Financial Information for Consolidation has been audited by its external auditor.
before submitting it to the Administration and Control Division in accordance with the process described in the next section, and shall endeavour to ensure the avoidance of major disagreements with Iberdrola’s external auditor in relation to the application of the accounting principles to such Financial Information for Consolidation.

3. Process of Preparing Consolidated Financial Information

Before the beginning of each financial year, the office of the secretary of the Board of Directors of Iberdrola shall inform the Administration and Control Division of the date provided for the adoption of the resolution to formulate or the approval, as appropriate, of the Consolidated Financial Information.

The Administration and Control Division shall communicate to the management decision-making bodies of the Group’s companies the deadlines for submitting the Financial Information for Consolidation for each company, and in the case of the country subholding companies, for submitting that of their respective subgroups. Such notice shall be coordinated with the requests for information that the chair of Iberdrola’s Audit and Risk Supervision Committee and the chairs of the audit and compliance committees of the country subholding companies send pursuant to the provisions of the General Framework for Relations of Coordination and Information among the Audit Committees of Iberdrola, S.A. and its group in order to issue the required reports.

The management decision-making bodies of the country subholding companies, following a report from their respective audit and compliance committees, and based on the information received from their subsidiaries, shall prepare and approve the Financial Information for Consolidation corresponding to each subgroup, and once verified by their external auditor within the context of its review of the Consolidated Financial Information, shall send it to Iberdrola’s Administration and Control Division prior to the date indicated thereby, in order to prepare the Consolidated Financial Information and submit it for the formulation or approval of Iberdrola’s Board of Directors, as appropriate, after a report from its Audit and Risk Supervision Committee.

4. Powers Vested in Iberdrola’s Audit and Risk Supervision Committee and the Audit and Compliance Committees of the other Companies of the Group

The provisions of this Iberdrola Group Financial Information Preparation Policy shall be deemed without prejudice to the powers vested in Iberdrola’s Audit and Risk Supervision Committee and the audit and compliance committees of the other companies of the Group in relation to the financial information of their respective company.

In particular, the Financial Information for Consolidation of the companies that have their own audit and compliance committee must be reported on by such committee before being submitted for the approval of the management decision-making body of the company in question. Said reports shall be submitted to the Audit and Risk Supervision Committee pursuant to the provisions of the General Framework for Relations of Coordination and Information among the Audit Committees of Iberdrola, S.A. and its group.

This Iberdrola Group Financial Information Preparation Policy was initially approved by the Board of Directors on 24 July 2018.
Anti-Corruption and Anti-Fraud Policy

19 December 2017

Corruption and fraud stifle economic growth, weaken democracy and undermine social justice and the Rule of Law, causing serious harm to the economy and to society, and in many cases facilitates the operations of organised crime.

Pursuant to the provisions of the Mission, Vision, and Values of the Iberdrola group, IBERDROLA, S.A. ("Iberdrola" or the "Company"), which is a leader by virtue of its firm commitments to ethical principles, assumes the responsibility of actively participating in the challenge of fighting corruption and fraud in all of its areas of activity. For such purposes, the Company’s Board of Directors, which is vested with responsibility for formulating the strategy and approving the Corporate Policies of the Company and for organising the internal control systems, approves this Anti-Corruption and Anti-Fraud Policy.

1. Purpose

The Anti-Corruption and Anti-Fraud Policy is intended to convey to all officers and employees of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as to third parties establishing relations therewith, an unambiguous message of opposition to corruption and fraud in all of their manifestations, and the Group’s desire to eradicate them in all of its activities.

This Anti-Corruption and Anti-Fraud Policy is a commitment to unwavering vigilance and punishment of fraudulent acts and conduct or acts or conduct fostering corruption in all of its manifestations, to maintain effective mechanisms for communication and awareness-raising among employees, and to develop a corporate culture of ethics and honesty.

In the area of crime prevention, the principles contained in this Anti-Corruption and Anti-Fraud Policy take specific shape in the Crime Prevention Policy.

2. Scope

This Anti-Corruption and Anti-Fraud Policy shall apply to all officers and employees of the Company and of the other companies belonging to the Group.

The Group has a governance model in which decentralised executive responsibilities are assumed by the head of business companies of the Group, which enjoy the independence necessary to carry out the day-to-day administration and effective management of each of the businesses and are assigned the responsibility for the day-to-day control thereof through their respective boards of directors and management decision-making bodies, which, with the supervision of the Compliance Unit and other competent bodies, ensure the implementation and the monitoring of the action principles set forth in this Anti-Corruption and Anti-Fraud Policy, without prejudice to appropriate coordination at all levels within the Group. This model is complemented with the existence of country subholding companies in those countries in which the Company’s Board of Directors has so decided and a country subholding company that groups together certain equity interests in other entities, including the non-energy head of business companies, with a presence 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 their respective countries and with respect to the businesses grouped within each of them, taking into account the characteristics and unique aspects of such countries.

The listed country subholding companies may approve their own anti-corruption and/or anti-fraud policy applicable to said company and its subsidiaries to comply with the requirements applicable thereto due to its status as a listed company. The policy must in any case be in accord with the principles set forth this Anti-Corruption and Anti-Fraud Policy.

Furthermore, all persons acting as representatives of the Group at companies and entities not belonging thereto shall comply with the provisions of this Anti-Corruption and Anti-Fraud Policy and shall promote, to the extent possible, the enforcement of its principles at the companies and entities at which they represent the Group.
In any event, the country subholding and head of business companies may adopt policies and rules that adapt and develop the principles contained in this Anti-Corruption and Anti-Fraud Policy to the particular nature of each jurisdiction or business, reporting them to the Company’s Compliance Unit. Officers and employees of the Group who are also subject to other policies or rules, whether applicable to a particular industry or deriving from the national laws of the countries in which they carry out their activities, shall also be bound hereby. Appropriate coordination shall be established in order to ensure that such policies or rules are consistent with the principles set out in this Anti-Corruption and Anti-Fraud Policy.

3. Principles of Conduct

The principles governing the Anti-Corruption and Anti-Fraud Policy are the following:

a) The Group does not tolerate, permit, or become involved in any kind of corrupt practice, extortion, or bribery in the conduct of its business activities, either in the public or in the private sector.

b) Iberdrola fosters a preventive culture based on the principle of “zero tolerance” towards corruption in the businesses in all its forms, as well as the commission of other wrongful acts and in fraud matters and on the application of principles of ethical and responsible behaviour by all professionals of the Group, irrespective of their level and the country where they work.

c) This principle of “zero tolerance” towards corruption in the businesses is of an absolute and primary nature regarding the possibility of obtaining any type of financial benefit for the Group or its professionals when based on a business or transaction that is unlawful or contrary to the principles set out in the Mission, Vision and Values of the Iberdrola group and specified in the Code of Ethics.

d) Relations between the professionals of the Group and any government administration, authorities, public officials or other persons who participate in the exercise of public functions, as well as political parties and similar institutions shall in any event be governed by the principles of cooperation, transparency and honesty. The companies of the Group have specific procedures to prevent any conduct that might be considered an act of corruption or bribery, the application of which is supervised by the Compliance Unit and the compliance divisions of the Group.

e) The professionals of the Group participate in appropriate training programmes, both in person and online or by any other appropriate method, with a frequency sufficient to ensure that their knowledge in this area is kept up to date. In particular, the professionals of the Group shall receive specific training regarding the Code of Ethics to prevent any instance of fraud, corruption or bribery.

f) The companies of the Group promote a transparent environment, maintaining appropriate internal channels to favour the communication of possible irregularities, including the use of the channel of communication with the Audit and Risk Supervision Committee to report financial or accounting irregularities, and the Ethics Mailboxes, which allow professionals of the Group, suppliers, and shareholders of the Company to communicate conduct that may entail a breach of the Company’s Corporate Governance System or the commission by a professional of the Group of an act contrary to the law or to the rules of the Code of Ethics.

g) The Group undertakes not to engage in any direct or indirect retaliation against persons who have used the channels referred to above or by any other means to report the commission of any improper conduct or any act contrary to law or the Corporate Governance System, including the rules of conduct of the Code of Ethics, unless they have acted in bad faith.

h) The risks associated with fraud, corruption and bribery are sufficiently considered in all internal procedures of the Group’s companies, and particularly in all processes that involving the relationships thereof with third parties.

i) The Group’s relationship with its suppliers is based on legality, efficiency, and transparency. Ethical and responsible behaviour is one of the pillars of the Group’s conduct, and its suppliers must comply with the Group’s policies, rules and procedures in connection with the prevention of corruption, bribery and extortion. No supplier of the Group shall offer or give government officials, third parties or any employee of the Group, within the context of the business activity carried out for or on behalf of the Group, whether directly or indirectly, gifts, presents or other unauthorised advantages, whether in cash or otherwise, in order to secure favourable treatment in the award or maintenance of contracts or to obtain benefits for themselves or for the supplying company.
4. Review

The Corporate Social Responsibility Committee shall periodically review the contents of the Anti-Corruption and Anti-Fraud Policy, ensuring that it reflects the recommendations and best international practices from time to time in effect, and shall propose to the Board of Directors those amendments and updates that contribute to the development and ongoing improvement thereof, taking into account any suggestions or proposals made by the Compliance Unit or the professionals of the Group.

This Anti-Corruption and Anti-Fraud Policy was initially approved by the Board of Directors on 20 December 2016 and was last amended on 19 December 2017.
The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with the responsibility of formulating the strategy and approving the Corporate Policies of the Company and for organising the internal control systems. In the discharge of these responsibilities, and consistent with the Mission, Vision, and Values of the Iberdrola group and its culture of prevention of irregularities, the Board issues this Crime Prevention Policy.

1. Purpose
The Crime Prevention Policy is intended to convey to all officers and employees of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as to third parties establishing relations therewith, an unambiguous message of opposition to the commission of any wrongful criminal acts and the desire of the Group to combat them and to guard against any possible erosion of its image and its reputational value and, ultimately, of the price of its shares and the value of the Company’s brand. This Crime Prevention Policy, together with the Anti-Corruption and Anti-Fraud Policy, shows the Group’s commitment to unwavering vigilance and punishment of fraudulent acts and conduct, to maintain effective mechanisms for communication and awareness-raising among employees, and to develop a corporate culture of ethics and honesty.

To further develop this Crime Prevention Policy, the Company, through the Compliance Unit and other competent bodies, has implemented a specific and efficient programme to prevent the commission of crimes (as a set of measures designed to prevent, detect, and react to possible crimes), which shall also cover the prevention and control of other fraud, administrative violations, and serious irregularities, all within the framework of the process of revision and adjustment to the new duties imposed by the Spanish Criminal Code after inclusion of criminal liability for legal entities, without prejudice to the laws and regulations applicable in any other jurisdiction in which the Company carries out its activities. Furthermore, the other companies of the Group have implemented similar programmes to prevent the commission of crimes.

The purpose of such programmes is, on the one hand, to assure third parties and judicial and administrative authorities that the companies of the Group effectively comply with the duties of supervision, monitoring and control of their activities by establishing appropriate measures to prevent crimes or to significantly reduce the risk of the commission thereof, and therefore exercise over their directors, officers, employees, and other subordinates, based on its governance model, such proper control as is legally required thereof, including the monitoring of possible situations of crime risk that may arise within the their scope of action, even in those cases in which the attribution of such situations to a specific person is not possible; an additional objective is to strengthen the existing commitment to work against all forms of fraud and corruption, including extortion and bribery of public officials or other persons.

The programmes include action and supervision protocols designed to reduce the risk of commission of criminal wrongs and irregularities in general (conduct that is illegal or contrary to the Code of Ethics or the Corporate Governance System), supplemented by effective and permanent control systems that may be updated as required.

2. Scope
This Crime Prevention Policy shall apply to all officers and employees of the Company and of the other companies belonging to the Group.

The Group has a governance model in which decentralised executive responsibilities are assumed by the head of business companies of the Group, which enjoy the independence necessary to carry out the day-to-day administration and effective management of each of the businesses and are assigned the responsibility for the day-to-day control thereof through their respective boards of directors and management decision-making bodies, which, with the supervision of the Compliance Unit and other competent bodies, ensure the implementation and the monitoring of the action principles set forth in this Crime Prevention Policy, without prejudice to appropriate coordination at all levels within the Group. This model is complemented with the existence of...
country subholding companies in those countries in which the Company’s Board of Directors has so decided and a country subholding company that groups together certain equity interests in other entities, including the non-energy head of business companies, with a presence 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 their respective countries and with respect to the businesses grouped within each of them, taking into account the characteristics and unique aspects of such countries. The listed country subholding companies may approve their own crime prevention policy applicable to said company and its subsidiaries to comply with the requirements applicable thereto due to its status as a listed company. The policy must in any case be in accord with the principles set forth in this Crime Prevention Policy. Furthermore, all persons acting as representatives of the Group at companies and entities not belonging thereto shall, to the extent possible, promote the implementation of specific and effective programmes for the prevention of crimes similar to those of the companies of the Group.

Officers and employees of the Group who are also subject to other rules or policies, whether applicable to a particular industry or deriving from the national laws of the countries in which they carry out their activities, shall also be bound hereby. Appropriate coordination shall be established in order to ensure that such rules or policies are consistent with the principles set out in this Crime Prevention Policy.

3. Principles of Conduct

The principles governing the Crime Prevention Policy are the following:

a) Integrate and coordinate a set of actions required to prevent and combat both the possible commission of wrongful acts by any professional within the Group and, in general, possible situations of irregularity or fraud, as a basic pillar of the Crime Prevention Policy, in line with the Anti-Corruption and Anti-Fraud Policy, General Risk Control and Management Policy, and the General Corporate Social Responsibility Policy.

b) Create a transparent environment, integrating the various systems developed to prevent crimes and maintaining appropriate internal channels to favour the communication of possible irregularities, including the use of the channel of communication with the Audit and Risk Supervision Committee to report financial or accounting irregularities, and the Ethics Mailboxes, which allow professionals of the Group and shareholders of the Company to communicate conduct that may entail a breach of the Company’s Corporate Governance System or the commission by a professional of an act contrary to the law or to the rules of the Code of Ethics.

c) Act at all times in compliance with applicable law and within the framework established by the Code of Ethics, as well as pursuant to the internal rules and regulations of the Company.

d) Foster a preventive culture based on the principle of “zero tolerance” in respect of the commission of wrongful acts and on the application of principles of ethical and responsible behaviour by all professionals of the Group, irrespective of their level and the country where they work.

e) Within the drive for this culture of prevention, foster processes of self-control in the activities and decision-making of employees and officers, such that any action of a Group professional is based on four basic premises: (i) that the action is ethically acceptable, (ii) that it is legally valid, (iii) that it is desirable for the Company and the Group, as well as (iv) that the professional is prepared to assume responsibility therefor.

f) Ensure that the Compliance Unit has the physical and human resources required to efficiently and proactively monitor the operation and observance of this Crime Prevention Policy, without prejudice to the responsibilities assigned to other decision-making bodies and divisions of the Company and, if appropriate, the administrative and management bodies of the country subholding companies and head of business companies of the Group.

g) Develop and implement appropriate procedures for the control and comprehensive management of crime prevention at all companies of the Group.

h) Keep the focus on proactive activities, such as prevention and detection, rather than on reactive activities, such as investigation and punishment.

i) Investigate any claim of an allegedly criminal act or of any fraudulent or irregular act, regardless of the amount thereof and as soon as practicable, guaranteeing confidentiality in respect of the reporting party and the rights of the persons investigated. In addition, the companies of the Group shall provide all assistance and cooperation that may be requested by judicial and administrative bodies and domestic or inter-
national institutions and entities to investigate allegedly criminal, fraudulent, or otherwise irregular acts that have been committed by their professionals.

j) Seek a fair, non-discriminatory, and proportional application of penalties as provided by applicable law from time to time.

k) Notify all professionals of the Group of their duty to report any act amounting to a possible criminal offence or irregularity of which they have evidence, through the channels established in this regard, and specifically regarding any sign or suspicion that a planned transaction or operation might be connected with money laundering or the financing of any unlawful activity.

l) Implement appropriate training programmes, both in person and online or by any other appropriate method, for professionals of the Group regarding the duties imposed by applicable law, with a frequency sufficient to ensure that the knowledge of their professionals in this regard is kept up to date.

m) Impose disciplinary penalties in accordance with the provisions of law applicable at any time for conduct that contributes to preventing or impeding the discovery of crimes as well as the breach of any specific duty to inform the control bodies of violations that may have been detected.

4. Control, Evaluation, and Revision

a) Control

The Compliance Unit shall be responsible for controlling the implementation, development, and fulfilment of the Crime Prevention Programme of the Company and of those companies of the Group that are not country subholding companies, head of business companies, or companies in which they have a stake, and to supervise the implementation, development, and fulfilment of similar programmes at the other companies of the Group, without prejudice to the responsibilities assigned to other bodies and divisions of the Company and, if applicable, to the administrative and management bodies of the country subholding companies and head of business companies of the Group.

For such purposes, the Compliance Unit shall have the power of initiative and control required to oversee the operation, effectiveness, and observance of this Crime Prevention Policy, ensuring that the crime prevention programmes respond to the needs and circumstances of each of the companies of the Group at all times and that the disciplinary systems applicable in each case appropriately penalise the breach of the measures provided for in the programmes.

The foregoing is without prejudice to such bodies or units specifically focusing on the control of criminal or fraudulent activities as it may be necessary or advisable to create at other companies of the Group in order to comply with the industry-specific or national laws of the countries in which they carry out their activities, with which relations shall be established for coordination purposes as appropriate pursuant to the respective applicable law.

b) Evaluation

At least once per year, the Compliance Unit shall evaluate the observance and effectiveness of this Crime Prevention Policy and of the crime prevention programmes of the companies of the Group, and in any event when significant violations of the programmes become evident or there are changes in the organisation, the structure of control, or the activities carried out by the companies of the Group, at such point assessing whether a modification thereof is appropriate.

c) Revision

The Corporate Social Responsibility Committee shall periodically revise the Crime Prevention Policy and shall propose to the Board of Directors those amendments and updates that contribute to the development and ongoing improvement thereof, taking into account any suggestions or proposals made by the Compliance Unit or the professionals of the Group.

This Crime Prevention Policy was initially approved by the Board of Directors on 14 December 2010 and was last amended on 20 December 2016.
Corporate Tax Policy

21 February de 2017

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with the duty to approve the Company’s Corporate Policies and to formulate its tax strategy. The Board of Directors is also responsible for approving investments and transactions that are particularly important from a tax standpoint because of the high amount or special characteristics thereof. In the exercise of such duties, the Board of Directors approves this Corporate Tax Policy, which forms part of the Corporate Governance and Regulatory Compliance Policies and sets forth the Company’s tax strategy and its commitment to the application of good tax practices within the framework of the corporate and governance structure of the group of entities of which the Company is the controlling entity, within the meaning established by law (the “Group”).

1. Purpose

The Company’s tax strategy consists basically of ensuring compliance with applicable tax laws and regulations and seeking to establish an appropriate coordination of the tax practices followed by the companies of the Group, all within the framework of fulfilling the corporate interest and supporting a long-term business strategy that avoids tax risks and inefficiencies in the implementation of business decisions. To that end, the Company takes into account all legitimate interests, including public interests, that converge in its business. In this connection, the taxes that the Group pays in the countries and territories in which it does business are its main contribution to the funding of public purpose needs and, accordingly, one of its contributions to society.

2. Principles

Compliance by the Group with its tax obligations and its relations with tax authorities shall be governed by the following principles, the application of which corresponds to each of the companies of the Group in accordance with the standards set out in section 4 below:

a) Compliance with tax rules in the various countries and territories in which the Group operates, paying all taxes due in accordance with the legal system.

b) The making of decisions on tax matters by the companies of the Group based on a reasonable interpretation of applicable legal provisions and in close relationship to the activities of the group.

c) The prevention and reduction of significant tax risks, ensuring that taxes bear an appropriate relationship to the structure and location of activities, human and material resources, and the Group’s business risks.

d) The strengthening of the relationship with tax authorities based on respect for the law, fidelity, reliability, professionalism, cooperation, reciprocity, and good faith, without prejudice to the legitimate disputes that, observing the aforementioned principles and in the defence of the corporate interest, may arise with such authorities concerning the interpretation of applicable legal provisions.

e) The provision of information to the management decision-making bodies on the main tax implications of the transactions or matters submitted to it for approval, when they are a significant factor in making a decision.

f) Envisaging the taxes that Group companies pay in the countries and territories in which they operate as the principal contribution to sustaining public expenditures, and therefore one of their contributions to society.

3. Good Tax Practices

Applying the foregoing principles, the Group assumes the following good tax practices:

a) Not to use artificial structures unrelated to the Company’s business for the sole purpose of reducing its tax burden nor, in particular, enter into transactions with related entities solely to erode the tax basis or to transfer profits to low-tax territories.

b) Avoid opaque structures for tax purposes, which are understood as structures calculated to prevent knowledge by the competent tax authorities of the party ultimately responsible for the activities or of the ultimate owner of the assets or rights involved.
c) Not to create or acquire companies resident in tax havens, with the sole exception of those cases in which it is forced to do so because it is an indirect acquisition in which the company that is resident in a tax haven is part of a group of companies that are being acquired.

d) Follow the recommendations of the good tax practices codes implemented in the countries in which the companies of the Group do business, taking into account the Group’s specific needs and circumstances.

In Spain, the Company has adhered to the Code of Good Tax Practices (the “Code”) approved on 20 July 2010 by the full Forum of Large Businesses [Foro de Grandes Empresas] – established on 10 July 2009 at the behest of the National Tax Administration Agency (Agencia Estatal de Administración Tributaria).

Without prejudice to any revision of this Corporate Tax Policy by the Company’s Board of Directors within the framework of ongoing improvement of the Corporate Governance System, the Company’s commitment concerning compliance with, further development, and implementation of the Code shall extend to any other good tax practices that stem from the recommendations of the Code in effect at any time, even if not expressly set forth in this Corporate Tax Policy.

e) Cooperate with the competent tax authorities in the detection of and search for solutions for fraudulent tax practices of which the Company is aware that may be used in the markets in which the Group has a presence.

f) Provide significant tax-related information and documents that may be requested by the competent tax authorities as soon as practicable and with the required scope.

g) Notify the appropriate body of the competent tax authority and sufficiently discuss therewith all significant issues of fact of which it has notice, in order to commence the appropriate investigative proceedings, if any, and to promote agreements and consents during the course of inspection proceedings, to the extent reasonably possible and without impairing good corporate management.

4. Application of the Corporate Tax Policy within the Framework of the Corporate and Governance Structure of the Group

The application of this Corporate Tax Policy shall be governed by the following principles in accordance with the provisions of the Group’s corporate and governance structure:

a) With respect to the Company

The Board of Directors of the Company is responsible for the coordination, within legal limits, of the overall management strategies and guidelines of the Group, acting in furtherance of the interests of each and every one of the companies forming part thereof, while the chairman of the Board of Directors & chief executive officer and the senior officers of the Company are responsible for the organisation and coordination of the Group, by means of the dissemination and implementation of and compliance with the general strategies and policies established by the Board of Directors.

In accordance with the foregoing, the Board of Directors of the Company, through its chairman & chief executive officer and its management team, shall promote due observance of the principles and good tax practices set forth in this Corporate Tax Policy by the companies forming part of the Group with significant activities in the tax area.

The foregoing shall in any event be deemed to be without prejudice to the special framework of strengthened autonomy applicable to the listed country subholding companies.

b) With respect to the country subholding companies

As regards the principles and good tax practices set out in this Corporate Tax Policy, the country subholding companies shall assume the responsibilities of determining, coordinating, and supervising compliance, in the respective countries in which they operate, with the standards that must be followed in the application of those taxes that, due to the nature thereof, affect more than one company of the Group.

Specifically, the boards of directors of the country subholding companies shall ensure compliance with this Corporate Tax Policy at the country level, specifying its content based on the laws applicable in each jurisdiction.

c) With respect to the head of business companies

The head of business companies shall be responsible for complying with their tax obligations, in all events respecting the principles and good tax practices set out in this Corporate Tax Policy and the standards established by the country subholding companies.
In particular, the boards of directors of the head of business companies shall be responsible for ensuring compliance with this Corporate Tax Policy by the entities of the Group through which they carry out their respective businesses.

5. Monitoring and Control
The companies of the Group shall adopt the control mechanisms necessary to ensure compliance with tax laws and regulations and with the principles set forth above, as part of an appropriate business management. They shall also use proper and sufficiently qualified human and material resources for such purposes.

The head of business companies shall report to the country subholding companies on an annual basis regarding the level of compliance with this Corporate Tax Policy. In turn, the audit and compliance committees of the country subholding companies shall report to the Company’s Audit and Risk Supervision Committee on the level of compliance with this Corporate Tax Policy.

The Audit and Risk Supervision Committee shall, in accordance with the provisions of its Regulations, provide to the Board of Directors information on the tax policies and standards applied by the Company during the financial year and, in particular, on the degree of compliance with the Corporate Tax Policy.

In addition, in the case of transactions or matters that must be submitted to the Board of Directors for approval, it shall report on the tax consequences thereof when they constitute a significant factor.

6. Information to the Market
The Company’s Annual Corporate Governance Report shall set forth the degree of effective compliance with the Code by the Company, as well as with other similar codes or recommendations of other jurisdictions to which the companies of the Group have adhered, and shall report on the operation of the systems for controlling tax risks.

This Corporate Tax Policy was initially approved by the Board of Directors on 14 December 2010 and was last amended on 21 February 2017.
Personal Data Protection Policy

20 February 2018

The Board of Directors of IBERDROLA, S.A. (the “Company”) is responsible for formulating the strategy and approving the Corporate Policies of the Company, as well as for organising the internal control systems. In fulfilling these responsibilities, and in order to lay down the general principles that are to govern the processing of personal data at all of the companies belonging to the group of which the Company is the controlling company, within the meaning established by law (the “Group”), the Board of Directors approves this Personal Data Protection Policy.

1. Purpose

This Personal Data Protection Policy establishes the common principles and guidelines for conduct that are to govern the Group as regards personal data protection, in any case ensuring compliance with applicable law. In particular, the Personal Data Protection Policy is intended to guarantee the right to protection of personal data for all natural persons who establish relations with the companies belonging to the Group, ensuring respect for the rights to reputation and to privacy in the processing of the various categories of personal data from different sources and for various purposes based on their business activities.

2. Scope

The Personal Data Protection Policy shall apply to the Company, to the other companies within the Group, to the directors, officers and employees thereof, and to all persons who establish relations with companies belonging to the Group.

By way of exception to the foregoing, country subholding companies that have their own personal data protection policy, as well as the subsidiaries thereof, shall not be covered by this Personal Data Protection Policy.

At those companies or entities in which the Company has a direct or indirect interest but that do not form part of the Group, the representatives thereof shall procure compliance with the provisions of this Personal Data Protection Policy and, to the extent possible, shall promote the application of the principles thereof.

3. Principles for the Processing of Personal Data

The principles underpinning the Personal Data Protection Policy are as follows:

a) General principles:

Group companies shall thoroughly comply with personal data protection law in their jurisdiction, the laws that apply based on the processing of personal data that is carried out and the laws determined by binding rules or resolutions adopted within the Group.

Group companies shall strive to ensure that the principles set forth in this Personal Data Protection Policy are taken into account (i) in the design and implementation of all procedures involving the processing of personal data, (ii) in the products and services offered thereby, (iii) in all contracts and obligations that they formalize with natural persons, and (iv) in the implementation of any systems and platforms that allow access by employees or third parties to personal data and/or the collection or processing of such data.

b) Principles relating to the processing of personal data.

[i] Principle of legitimate, lawful and fair processing of personal data.

The processing of personal data shall be fair, legitimate and lawful in accordance with applicable law. In this sense, personal data must be collected for one or more specific and legitimate purposes in accordance with applicable law.

When so required by law, the consent of the data subjects must be obtained before their data are collected.

Also when so required by law, the purposes for processing the personal data shall be explicit and specific at the time of collection thereof.

In particular, Group companies shall not collect or process personal data relating to ethnic or racial origin, political ideology, beliefs, religious or philosophical convictions, sexual orientation or practices, trade union membership, data concerning health, or genetic or biometric data for the purpose of...
uniquely identifying a person, unless the collection of said data is necessary, legitimate and required or permitted by applicable law, in which case they shall be collected and processed in accordance with the provisions thereof.

(ii) **Principle of minimisation.**

Only personal data that are strictly necessary for the purposes for which they are collected or processed and adequate for such purposes shall be processed.

(iii) **Principle of accuracy.**

Personal data must be accurate and up-to-date. They must otherwise be erased or rectified.

(iv) **Principle of storage duration limitation.**

Personal data shall not be stored for longer than is necessary for the purposes for which they are processed, except in the circumstances established by law.

(v) **Principles of integrity and confidentiality.**

Personal data must be processed in a manner that uses technical or organisational measures to ensure appropriate security that protects the data against unauthorised or unlawful processing and against accidental loss, destruction or damage.

The personal data collected and processed by Group companies must be stored with the utmost confidentiality and secrecy, may not be used for purposes other than those that justified and permitted the collection thereof, and may not be disclosed or transferred to third parties other than in the cases permitted by applicable law.

(vi) **Principle of proactive responsibility (accountability).**

Group companies shall be responsible for complying with the principles set forth in this Personal Data Protection Policy and those required by applicable law and must be able to demonstrate compliance when so required by applicable law.

Group companies must perform a risk assessment of the processing that they carry out in order to identify the measures to apply to ensure that personal data are processed in accordance with legal requirements. When so required by law, they shall perform a prior assessment of the risks that new products, services or IT systems may imply for personal data protection and shall adopt the necessary measures to eliminate or mitigate them.

Group companies must maintain a record of activities in which they describe the personal data processing that they carry out in the course of their activities.

In the event of an incident causing the accidental or unlawful destruction, loss or alteration of personal data, or the disclosure of or unauthorised access to such data, the internal protocols established for such purpose by the Corporate Security Division and those that are established by applicable law must be followed. Such incidents must be documented and measures shall be adopted to resolve and mitigate potential adverse effects for data subjects.

In the cases provided for by law, data protection officers shall be designated in order to ensure that Group companies comply with the legal provisions on data protection.

(vii) **Principles of transparency and information.**

Personal data shall be processed in a transparent manner with relation to data subjects, with the provision to data subjects of intelligible and accessible information regarding the processing of their data when so required by applicable law.

For purposes of ensuring fair and transparent processing, the Group company that is responsible for the processing must inform data subjects whose data is to be collected of the circumstances relating to the processing in accordance with applicable law.

(viii) **Acquisition or procurement of personal data.**

It is forbidden to purchase or obtain personal data from unlawful sources, from sources that do not sufficiently ensure the lawful origin of such data or from sources whose data have been collected or transferred in violation of the law.

(ix) **Engagement of data processors.**

Prior to engaging any service provider that may have access to personal data for which Group companies are responsible, as well as during the effective term of the contractual relationship, such Group
companies must adopt the necessary measures to ensure and, when legally required, demonstrate, that the data processing by service provider is performed in accordance with applicable law.

\[(x)\] **International transfers of data.**

Any processing of personal data that is subject to European Union regulations and entails a transfer of data outside the European Economic Area must be carried out strictly in compliance with the requirements established by applicable law in the jurisdiction of origin. In addition, Group companies located outside the European Union must comply with any requirements for international transfers of personal data that are applicable in their respective jurisdictions.

\[(xi)\] **Rights of data subjects.**

Group companies must allow data subjects to exercise the rights of access, rectification, erasure, restriction of processing, portability and objection that are applicable in each jurisdiction, establishing for such purpose such internal procedures as may be necessary to at least satisfy the legal requirements applicable in each case.

4. **Implementation**

In accordance with the provisions of this Personal Data Protection Policy, the Corporate Security Division, together with the Legal Services of the Company, shall develop and keep updated internal rules for global data protection management at the Group level, which shall be implemented by the Corporate Security Division and which shall be mandatory for all officers and employees at the Company.

Likewise, the Corporate Security Division and the Legal Services Division of each country, or such divisions as may assume the duties thereof, shall establish local internal procedures designed to implement the principles laid down in this Personal Data Protection Policy and to adapt the content thereof in accordance with applicable law in their respective jurisdictions.

The Legal Services Division shall be responsible for informing the Corporate Security Division of regulatory developments and news that occur in this area.

The Systems Division, or such division as may assume the duties thereof, shall be responsible for implementing the information technology systems of the companies of the Group, the information technology controls and developments that are appropriate to ensure compliance with the internal rules for global data protection management, and shall ensure that said developments are updated at all times.

In addition, the businesses and corporate divisions must (i) subject to the provisions of applicable law in each case, appoint the persons responsible for the data, who shall act on a coordinated basis and under the supervision of the Corporate Security Division, and (ii) coordinate with the Corporate Security Division any activity that involves or entails the management of personal data, in all cases adhering to the special framework of strengthened autonomy of the listed country subholding companies.

5. **Control and Evaluation**

a) **Control**

The Corporate Security Division, or the division assuming the duties thereof, shall supervise compliance with the provisions of this Personal Data Protection Policy by the Company and the other companies of the Group. The foregoing shall in any event be without prejudice to the responsibilities vested in other bodies and divisions of the Company and, if applicable, in the management decision-making bodies of the other companies within the Group.

Regular audits shall be performed with internal or external auditors in order to verify compliance with this Personal Data Protection Policy.

b) Evaluation

The Corporate Security Division shall evaluate compliance with and the effectiveness of this Personal Data Protection Policy at least once per year and shall report to the Finance and Resources Division, or to the division assuming such duties at any particular time, on the results of such evaluation.

This Personal Data Protection Policy was initially approved by the Board of Directors on 15 December 2015 and was last amended on 20 February 2018.
Part II.

Risk Policies

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General Risk Control and Management Policy

20 February 2018

The Board of Directors of IBERDROLA, S.A. (the “Company”) is responsible for establishing the General Risk Control and Management Policy, identifying the principal risks facing the Company and the other companies included within the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), and organising appropriate internal monitoring and information systems, as well as carrying out a periodic monitoring of such systems.

The Company’s General Risk Control and Management Policy rests upon the following pillars:

1. Purpose

The purpose of the Company’s General Risk Control and Management Policy is to establish the basic principles and general framework for the control and management of all kinds of risks facing the Company and the Group, and which must be applied in accordance with the provisions of the Mission, Vision and Values of the Iberdrola group.

The General Risk Control and Management Policy is further developed and supplemented by the specific risk policies that may be established for certain risks, corporate functions or businesses of the Group.

The country subholding companies adopt the risk policies of the Group and define the application thereof, approving guidelines on specific risk limits based on the nature and particularities of the businesses in each country.

The management decision-making bodies of the head of business companies of each country must approve the specific risk limits applicable to each of them and implement the control systems necessary to ensure compliance therewith.

2. Scope

The General Risk Control and Management Policy applies to all companies that make up the Group, including the companies that are not part of the Group in which the Company has an interest and over which it has effective control, within the limits established by the laws applicable to the regulated activities carried out by the Group in the various countries in which it operates.

Excluded from the scope of this policy are listed country subholding companies and the subsidiaries thereof which, pursuant to their own special framework of strengthened autonomy, have their own risk policies approved by their competent bodies. The management decision-making bodies of the country subholding companies that are not publicly listed and that are not wholly owned by the Group may approve their own risk policies, also applicable to their subsidiaries, to include any content suggested by the representatives of the other shareholders. In any event, said risk policies must be in accord with the principles set forth in this General Risk Control and Management Policy and in the other Risk Policies of the Company.

At those companies in which the Company has an interest but which do not belong to the Group, the Company shall promote principles, guidelines and risk limits consistent with those established in the General Risk Control and Management Policy and in its supplementary Risk Policies and shall maintain appropriate channels of information to ensure a proper understanding of risks.

3. Risk Factors - Definitions

From a general viewpoint, a risk is considered to be any threat that an event, action or omission may prevent the Group from reaching its objectives and successfully carrying out its strategies.

The risk factors to which the Group is subject generally are listed below:

a) Corporate Governance Risks: the Company accepts the need to achieve the fulfilment of the corporate interest and the sustained maximisation of the economic value of the Company and its long-term success, in accordance with the Group’s corporate interest, culture and corporate vision, taking into account the legitimate public and private interests that converge in the conduct of all business activities, particularly those of the various stakeholders and communities and regions in which the Company and its employees act. A fundamental requirement for the foregoing is compliance with the Company’s Corporate Governance Sys-
tem, made up of the By-Laws, the Mission, Vision and Values of the Iberdrola group, the Corporate Policies, the internal corporate governance rules and the other internal codes and procedures approved by the competent decision-making bodies of the Company and inspired by the good governance recommendations generally recognised in international markets.

b) Market Risks: understood as the exposure of the Group’s results and net worth to changes in prices and other market variables, such as exchange rates, interest rates, commodity prices (electricity, gas, CO₂ emission allowances, other fuel, etc.), prices of financial assets, and others.

c) Credit Risks: defined as the possibility that a counterparty fails to perform its contractual obligations, thus causing an economic or financial loss to the Group. Counterparties can be end customers, counterparties in financial or energy markets, partners, suppliers or contractors.

d) Business Risks: defined as the uncertainty regarding the performance of key variables inherent in the various activities of the Group through its businesses, such as the characteristics of demand, weather conditions and the strategies of different players.

e) Regulatory and Political Risks: are those arising from regulatory changes made by the various regulators, such as changes in compensation of regulated activities or in the required conditions of supply, or in environmental or tax regulations, including risks relating to political changes that might affect legal security and the legal framework applicable to the businesses of the Group in each jurisdiction, nationalisation or expropriation of assets, the cancellation of operating licenses and the termination of government contracts.

f) Operational, Technological, Environmental and Social Risks: are those related to direct or indirect economic losses resulting from external events, inadequate internal procedures, technical failures, human error and/or fraud, including those associated with climate change, information technologies, cybersecurity and the risk of technological obsolescence.

g) Reputational Risks: potential negative impact on the value of the Company resulting from conduct on the part of the Company that is below the expectations created among various stakeholders, as defined in the Stakeholder Relations Policy.

4. Basic Principles

The Group is subject to various risks inherent in the different countries, industries and markets in which it does business and in the activities it carries out, which may prevent it from achieving its objectives and successfully implementing its strategies.

Aware of the significance of this issue, the Board of Directors of the Company undertakes to develop all of its capabilities in order for the significant risks to all the activities and businesses of the Group to be adequately identified, measured, managed and controlled, and to establish through the General Risk Control and Management Policy the mechanisms and basic principles for appropriate management of the risk/opportunity ratio, at a risk level that makes it possible to:

a) attain the strategic objectives formulated by the Group with controlled volatility;
b) provide the maximum level of assurance to the shareholders;
c) protect the results and reputation of the Group;
d) defend the interests of customers, shareholders, other groups interested in the progress of the Company, and society in general; and
e) ensure corporate stability and financial strength in a sustained fashion over time.

In the implementation of the aforementioned commitment through the basic principles, the Board of Directors and its Executive Committee have the cooperation of the Audit and Risk Supervision Committee, which, as a consultative body, monitors and reports upon the appropriateness of the system for assessment and internal control of significant risks, acting in coordination with the audit and compliance committees existing at other companies of the Group.

All actions aimed at controlling and mitigating risks shall conform to the following basic principles:

a) Integrate the risk/opportunity vision into the Company’s management, through a definition of the strategy and the risk appetite and the incorporation of this variable into strategic and operating decisions.

b) Segregate functions, at the operating level, between risk-taking areas and areas responsible for the analysis, control and monitoring of such risks, ensuring an appropriate level of independence.
c) **Guarantee** the proper use of risk-hedging instruments and the maintenance of records thereof as required by applicable law.

d) **Inform** regulatory agencies and the principal external players, in a transparent fashion, regarding the risks facing the Group and the operation of the systems developed to monitor such risks, maintaining suitable channels that favour communication.

e) **Ensure** appropriate compliance with the corporate governance rules established by the Company through its Corporate Governance System and the update and continuous improvement of such system within the framework of the best international practices as to transparency and good governance, and implement the monitoring and measurement thereof.

f) **Act** at all times in compliance with the law and the Company’s Corporate Governance System and, specifically, with due observance of the values and standards reflected in the **Code of Ethics** and the principles and good practices reflected in the **Corporate Tax Policy**, under the principle of “zero tolerance” for the commission of unlawful acts and situations of fraud set forth in the **Crime Prevention and Anti-Fraud Policy**.

### 5. Comprehensive Risk Control and Management System

The **General Risk Control and Management Policy** and the basic principles underpinning it are implemented by means of a comprehensive risk control and management system, supported by a Risk Committee of the Group and based upon a proper definition and allocation of duties and responsibilities at the operating level and upon supporting procedures, methodologies and tools, suitable for the various stages and activities within the system, including:

a) The ongoing identification of significant risks and threats, taking into account their possible impact on key management objectives and the accounts (including contingent liabilities and other off-balance sheet risks).

b) The analysis of such risks, both at each corporate business or function and taking into account their combined effect on the Group as a whole.

c) The establishment of a structure of risk policies, guidelines, limits and indicators, as well as of the corresponding mechanisms for the approval and implementation thereof.

d) The measurement and control of risks following homogenous procedures and standards common to the entire Group.

e) The analysis of risks associated with new facilities, as an essential element in risk/return-based decision-making.

f) The maintenance of a system for internal monitoring of compliance with policies, guidelines and limits, by means of appropriate procedures and systems, including the contingency plans needed to mitigate the impact of the materialisation of risks.

g) The periodic monitoring and control of profit and loss account risks that might have a significant impact in order to control the volatility of the annual income of the Group.

h) The ongoing evaluation of the suitability and efficiency of applying the system and the best practices and recommendations in the area of risks for eventual inclusion thereof in the model.

i) The audit of the comprehensive risk control and management system by the Internal Audit Division.

### 6. Risk Policies and Limits

The **General Risk Control and Management Policy** is further developed and supplemented by the following policies, which are also subject to approval by the Company’s Board of Directors:

**Corporate Risk Policies:**

- Corporate Credit Risk Policy.
- Corporate Market Risk Policy.
- Operational Risk in Market Transactions Policy
- Insurance Policy.
- Investment Policy.
- Financing and Financial Risk Policy.
- Treasury Share Policy.
- Risk Policy for Equity Interests in Listed Companies.
— Procurement Policy.
— Information Technology Policy.
— Cybersecurity Risk Policy.
— Reputational Risk Framework Policy.

Specific Risk Policies for the Various Group Businesses:
— Risk Policy for the Networks Businesses of the Iberdrola Group.
— Risk Policy for the Real Estate Business.

This General Risk Control and Management Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 20 February 2018.
Corporate Risk Policies
12 April 2018

Corporate Credit Risk Policy
The Corporate Credit Risk Policy provides the framework for the monitoring and management of credit risk from a global viewpoint covering the entire Group, credit risk being understood as all counterparty risks that, in the event of insolvency of such counterparty, might cause the Group to sustain an economic or financial loss. In particular, the Corporate Credit Risk Policy establishes the identification and segmentation into homogeneous groups of the principal types of relations that give rise to credit exposure within the Group, the implementation of mechanisms to identify common counterparties, the application of corporate guidelines for acceptance of counterparties, as well as the allocation of risk limits in the aggregate and by counterparty, in accordance with credit quality standards. Additionally, the Risk Policies for each business establish specific credit risk limits and guidelines in line with the characteristics of the different types of businesses.

Corporate Market Risk Policy
The Corporate Market Risk Policy provides a common framework for the monitoring and management of market risk in the entire Group, market risk being understood as any potential loss of margin and/or value due to adverse changes in price-determining factors. In particular, this Corporate Market Risk Policy sets out differentiated guidelines for the management of the market risk associated with the various activities connected to the energy value chain:

a) Activities associated with the core business for sale in the liberalised market (electricity production at the Company’s own plants, including fuel supply and emission allowances, purchase of electricity and gas, forward, wholesale or retail sale of electricity and gas through the Company’s own supply company, dedicated generation or cogeneration plants with or without a power purchase agreement (PPA), hedging transactions, etc.).

b) Activities associated with the core business in the regulated market.

c) Other activities involving the “discretionary trading” of electricity, gas, emission allowances and other fuel and associated products, with respect to which a global “stop-loss” limit is established at the Group level. Additionally, the Risk Policies for each business establish specific market risk limits and guidelines in line with the characteristics of the different types of businesses and the countries in which the Group has a presence.

Operational Risk in Market Transactions Policy
The Operational Risk in Market Transactions Policy covers the operational, regulatory and reputational risks deriving from all activities in the markets by the various energy and cash management trading desks of the Group as a result of potential improper procedures, technological errors, human failure, fraud and any other internal or external event. This Operational Risk in Market Transactions Policy is based on the following basic principles:

a) Strong risk culture.

b) Proper segregation of duties.

c) Formalisation of clear policies and procedures.

d) Secure and flexible information technology systems.

And established specific directives in this regard, which shall apply based on a principle of proportionality to the number and complexity of all transactions carried out by each of the affected trading desks.

Insurance Policy
The Insurance Policy provides the framework for the monitoring and management, through insurance, of the Company’s global exposure to the impact of the operational risks associated with all the activities and businesses of the Group.

It includes the limits for the following insurance programmes, among others:

a) Comprehensive casualty.
b) Continuous damages.
c) Civil liability.
d) Environmental risks.
e) Nuclear risk.
f) Directors and officers.
g) Cybersecurity.

And establishes specific limits for the captive insurance company.

**Investment Policy**

The Investment Policy provides the framework for the analysis, approval and monitoring of the investment or divestment projects of all businesses within the Group and of the risks associated therewith. In particular, this Investment Policy sets general limits in terms of profitability and risk for each project, as well as the manner in which it fits into the Group’s strategy. In addition, the Risk Policies for each business establish specific limits and guidelines in line with the characteristics of the different types of investments.

**Financing and Financial Risk Policy**

The Financing and Financial Risk Policy provides the framework for coverage of the financial needs of the companies belonging to the Group, by:

a) Ensuring liquidity with minimum financial expense and optimising the Group’s balance sheet.
b) Setting the appropriate levels of risk to be assumed in order to optimise the cost/risk ratio within established limits.
c) Transferring the level of risk associated with financial variables that the Company does not wish to assume to external entities specialising in the management of such risks.
d) Maintaining solvency indicators that enable the Group to maintain its credit rating.

The Financing and Financial Risk Policy provides that the management of all of the Group’s financial risks shall be centralised within the Finance and Resources Division:

(i) Market risks: interest rate, exchange rate, liquidity and solvency.
(ii) Credit risks.
(iii) Operational risks.

Additionally, the Risk Policies for each business provide for the obligation to transfer financial risks to the Finance and Resources Division for the comprehensive management thereof.

**Treasury Share Policy**

The Treasury Share Policy provides that all transactions for the purchase and sale of treasury shares by the Company and/or by its controlled companies shall be conducted in compliance with applicable regulations and with the resolutions adopted in this regard at a General Shareholders’ Meeting, and that they shall always pursue lawful aims, such as:

a) Providing investors with adequate liquidity and depth in the trading of the Company’s shares.
b) Stabilising the share price after a public offer for the sale or subscription of shares by means of a loan of treasury shares by the Company and the granting of a call option on shares to the underwriters for the transaction.
c) Implementing programmes for the purchase of treasury shares approved by the Board of Directors or by the shareholders at a General Shareholders’ Meeting and, in particular, making available to the Company the shares required to comply with the share delivery commitments previously assumed thereby under issuances of securities or corporate transactions, such as compensation schemes or loyalty plans for shareholders (e.g., payment of dividends in kind), directors, officers or employees.
d) Honouring other previously-assumed lawful commitments.
e) Any other purpose allowed under applicable regulations.

Moreover, the Treasury Share Policy provides the framework for the monitoring and management of the market, credit and operational risks associated with treasury share transactions, including the purchase and sale of shares of the Company and contracting for derivatives on treasury shares and hedging derivatives, and sets limits, inter alia, on the total volume of the position and the market risk in terms of value at risk.
Risk Policy for Equity Interests in Listed Companies
The Risk Policy for Equity Interests in Listed Companies provides the framework for the monitoring and management of risks affecting the various holdings in listed companies in the form of shares and derivatives:
\begin{itemize}
\item[a)] In companies within the scope of consolidation (subsidiaries and affiliated companies).
\item[b)] That are financial in nature (financial assets at fair value according to the profit and loss account and financial assets available for sale).
\end{itemize}

Information Technologies Policy
The Information Technology Policy establishes an overall framework for the governance and management of the processes and actions relating to information technology (IT) within the Group. It contemplates the management of risks associated with the use, ownership, operation, participation, influence and adoption of specific information technology, as well as the processes for the management and control thereof.
It defines an integrated management framework that allows for a global technological focus and is intended to ensure the appropriate management of information technology and of the risks associated therewith, promoting the creation of value through an effective and innovative use of IT and the satisfaction of internal and external users with the level of commitment and services provided, maintaining a balance between the generation of profits, the optimization of risk levels and an efficient use of resources, based on standards of proportionality.
Moreover, it contains the guidelines for an information technology governance model common to the entire Group, based on the establishment of an IT Governance Committee and the creation of separate Management Committees within the head of business companies, for purposes of addressing the needs of the businesses, assigning responsibilities, prioritizing activities and generating value through optimisation of costs and ongoing adaptation to technological developments.

Cybersecurity Risk Policy
The Cybersecurity Risk Policy establishes a global framework for the control and management of the cybersecurity risks applicable to all the companies of the Group. In particular, it refers to the risks arising from threats and vulnerabilities affecting the Group’s control, information technology and communications systems, as well as any other asset forming part of its cyber-infrastructure.
It also establishes the guidelines for a common cybersecurity management model for the entire Group, coordinated by a Cybersecurity Committee and based on the development of global rules and standards to be applied within all the businesses and corporate functions, thus encouraging a strong culture of cybersecurity.
The Cybersecurity Risk Policy is based upon the following basic principles:
\begin{itemize}
\item Raising awareness among all employees, contractors and collaborators regarding cybersecurity risks and ensuring that they have the knowledge, skills, experience and technological abilities needed to support the Group’s cybersecurity goals.
\item Ensuring that the Group’s information technology and communications systems have an appropriate level of cybersecurity and resilience and applying the most advanced standards to those that support the operation of critical cyber-infrastructure.
\item Fostering the existence of appropriate cybersecurity and resilience mechanisms for the systems and operations managed by third parties that provide services to the Company.
\item Strengthening capacities for prevention, detection, reaction, analysis, recovery, response, investigation and coordination against terrorist activities and criminality in cyberspace.
\item Providing procedures and tools that permit rapid adaptation to changing conditions in the technological environment and to new threats.
\item Collaborating with the relevant governmental bodies and agencies in order to contribute to the improvement of cybersecurity in the international sphere.
\end{itemize}
The Cybersecurity Risk Policy sets out the Company’s commitment to clearly and transparently report on its risks and incidents in the area of Cybersecurity, in accordance with the provisions of law.
Non-public Cybersecurity risks and incidents directly or indirectly relating to the Company or any other company of the Group and that could have an appreciable effect on the price of Company’s shares or of any other security that the Compliance Unit defines as an Affected Security, might constitute Inside Information, as this term is defined in the Internal Regulations for Conduct in the Securities Markets, in which case the Company
must report them to the market through the National Securities Market Commission upon the terms required by law.

Until said information is public, those persons who are aware of the existence of the risk or incident in question shall be deemed Insiders, within the meaning of the provisions of the aforementioned regulations, and may not engage in transactions regarding Affected Securities, among other restrictions contemplated in the Internal Regulations for Conduct in the Securities Markets and subject to the duty of confidentiality.

Reputational Risk Framework Policy
The Reputational Risk Framework Policy provides the framework for the monitoring and management of reputational risk to be implemented by all the Divisions of the Group, with all employees being involved in proactive relationships with the Company’s stakeholders in order to know their expectations and mitigate the associated risks.

Procurement Policy
The Procurement Policy provides the overall framework for the control and management of the market, credit, business, regulatory, operational, reputational, criminal and cybersecurity risks deriving from the purchase of materials and equipment and from contracting for works and services across the entire Iberdrola Group, with special emphasis being laid on adherence to the ethical commitments of the Group and of its suppliers.

The Procurement Policy rests upon the following basic principles:

— Promoting a strong risk culture and the development of a corporate culture based on ethics and honesty across the entire organisation, capable of supporting the professional and ethically responsible behaviour of all of the employees, through strict application of the Code of Ethics.

— Establishing, in a coordinated fashion, the standards and controls associated with the activities of purchasing and contracting for equipment, materials, works and services for the benefit of the companies making up the Group, ensuring full adherence to the corporate organisation deriving from the Group’s governance model.

— Implementing the mechanisms required for purchasing decisions to in any event ensure the achievement of balance between technical competence, quality, price and supplier qualifications as a key condition for the contribution of value.

— Establishing supplier selection procedures that conform to standards of objectiveness, impartiality and equal opportunity, ensuring at all times the professionalism of employees as well as their loyalty to the Group and its shareholders regardless of their own or third-party interests.

— Promoting strict compliance by suppliers with contractual terms and conditions and with applicable law, placing special attention on respect for the environment and on the principles contained in the Human Rights Policy, favourably assessing compliance with the provisions in the area of reconciliation and effective equality between men and women in the Equal Opportunity and Reconciliation Policy and requiring acceptance of the principles set out in the Suppliers’ Code of Ethics.

— Furthering a supplier relationship policy based on the principles of corporate ethics and transparency, striving for continuous improvement and mutual benefit and promoting innovation and development activities.

— Fostering the motivation and active participation of employees, the training required for the performance of their tasks, and the continuous education thereof.

The Procurement Policy establishes guidelines and detailed limits regarding levels at which authority may be delegated and purchasing procedures within the Group in accordance with the aforementioned principles, as well as regarding the organisation principles that must be observed to ensure full adherence to the corporate organisation deriving from the Group’s Corporate Governance System. Attached as an Exhibit to the Procurement Policy is the Suppliers’ Code of Ethics, which must always be attached among the documentation of the Group’s contracts and be accepted by the supplier.

The Suppliers’ Code of Ethics need not be included in the contractual documentation for those contracts in which the counterparty does not have the status of supplier under the Procurement Policy. This particularly includes publicity contracts, sponsorship contracts, agreements for collaboration in general interest activities and agreements for collaboration to support exceptional public interest events, and any other similar contracts.

The Suppliers’ Code of Ethics is included below.
SUPPLIERS’ CODE OF ETHICS

IBERDROLA, S.A. (the “Company”) aspires for its conduct and that of the persons linked thereto, including all participants in the value chain, to respond and adhere to ethical and generally accepted social responsibility principles, in addition to applicable laws and the Corporate Governance System.

This ethics and good governance commitment extends to all companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), and to all of its professionals, and the policies that further elaborate on such commitment clearly state that the Group firmly opposes the commission of any wrongful act, whether criminal or otherwise, and that it advances a preventive culture based on the principle of “zero tolerance” for the commission of wrongful acts and fraud and on the application of the principles of ethical conduct and responsible behaviour.

It is essential for this message to be unequivocally conveyed to the third parties with whom the Company maintains relationships, such that they formally undertake to adhere to the Group’s ethical and good governance commitment.

The Company considers suppliers to be a strategic stakeholder, and therefore, it has established for them specific guidelines for action in their areas of activity that conform in all respects to the Group’s principles and values and are laid down in this Suppliers’ Code of Ethics, which must be expressly accepted by the Group’s suppliers (“Suppliers”) and shall be attached as an exhibit to the respective contracts.

ETHICS: to maintain commercial relationships in conformity with principles of transparent corporate ethics and management

— Corruption: the Group’s relationship with its Suppliers is based on legality, efficiency and transparency.

One of the principles underpinning the United Nations Global Compact (to which the Company adhered in 2002) is the fight against corruption, bribery and extortion.

The Group does not tolerate, permit or become involved in any kind of corrupt practice, extortion or bribery in the conduct of its business activities, either in the public or in the private sector. Ethical and responsible behaviour is one of the pillars of the Group’s conduct, and its Suppliers must comply with the Group’s policies, rules and procedures in connection with the prevention of corruption, bribery and extortion.

The Supplier shall abide by the strictest rules of ethical and moral conduct and by international agreements and shall comply with the law applicable to these matters, ensuring the establishment of adequate procedures required for such purpose.

In particular, the Supplier represents, warrants and guarantees that:

(i) it has complied and will comply with all applicable laws and regulations, including, to the extent applicable, the anti-corruption provisions of Organic Law 10/1995 of 23 November on the Spanish Criminal Code; the United Kingdom Bribery Act 2010 (UKBA); the United States Foreign Corrupt Practices Act (FCPA); all laws promulgated to implement the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of the Organisation for Economic Co-operation and Development (OECD), and the laws and regulations of the countries in which services will be provided for the Group.

(ii) it has not promised, offered or paid and will not promise, offer or pay, either directly or indirectly, any bribe, facilitating payment or other improper payments to any third party or to any employee of the Group in relation to the contract.

(iii) it has not corruptly promised, offered or paid and will not corruptly promise, offer or pay, either directly or indirectly, anything of value in order to (i) exercise influence over any act or decision of any third party or any employee of the Group; (ii) ensure an undue advantage for the Group; or (iii) induce a third party or an employee of the Group to exercise influence over the act or decision of a public officer.

(iv) it has not tried to obtain, and will not try to obtain, any confidential information, including information not available to other bidders, in relation to the contract.

(v) it has not promised, offered or delivered and will not promise, offer or deliver gifts or objects of value, of any kind, to persons or entities that are officials for the purpose of or in relation to the formalisation of the contract.

(vi) it may only promise, offer or give reasonable gifts or items that are not exaggerated in value, including entertainment or meal expenses, for the purpose of or in relation to the formalisation of the contract,
to persons or entities that are not officials and in accordance with all anti-corruption laws and the integrity and ethics policies of the Company’s Corporate Governance System. Gifts or items of value must coincide with a legitimate business purpose.

(vii) neither the Supplier itself nor any of its subsidiaries, and to the best of its knowledge none of its respective employees, directors, officers or agents or any other person acting on its behalf (the “Connected Persons”) are, and there is no reason for them to be, subject to (a) any sanction of the United States of America (“U.S.”) implemented, imposed or published by the U.S. Office of Foreign Assets Control (“OFAC”), or (b) any decision or measure similar to such OFAC measures made by (i) the European Union, (ii) HM Treasury, (iii) the United States government, or (iv) the United Nations Security Council (collectively, the “Sanctions”). It also warrants that none of its Connected Persons has a registered office located, is incorporated or is a resident of a country or territory that is covered by Sanctions.

— Conflict of interest: the Supplier shall maintain mechanisms ensuring that its independence of action and full compliance with applicable law will not be affected in the event of a possible conflict of interest involving any of their employees.

— Information: the information owned by the Group and disclosed to the Supplier shall, as a general rule, be deemed to be private and confidential information.

The Supplier and all professionals therewith shall be responsible for adopting adequate security measures to protect such private and confidential information.

The information provided by a Supplier to its contacts within the Group shall be true and shall not be given with the intent to mislead.

LABOUR PRACTICES: to ensure the protection of internationally recognised basic human and workers’ rights within their sphere of influence

— Forced labour: the Supplier shall take steps and adopt all required measures within their organisation to eliminate all kinds or forms of forced or compulsory labour, understood as any work or service demanded from an individual under threat of any kind of penalty.

— Child labour: the Supplier shall expressly reject the use of child labour within its organisation, shall respect the minimum hiring age limits in accordance with applicable law, and shall have adequate and reliable mechanisms in place to verify the age of its employees.

— Freedom of association and collective bargaining: the Supplier shall respect the freedom of union association and the workers’ right to collective bargaining, subject to the law applicable in each case.

— Equal opportunity and non-discrimination: the Supplier shall reject all discriminatory practices in employment and occupational matters and shall treat its employees fairly and with dignity and respect. For purposes hereof, discrimination shall include any distinction, exclusion or preference by reason of race, colour, sex, religion, political opinion, national extraction or social origin which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation.

— Reconciliation: the Supplier shall assess the implementation of reconciliation measures that promote respect for the personal and family life of its employees and facilitate the achievement of an optimal balance between the latter and the work responsibilities of women and men, with respect for applicable laws and local practices, and shall not in any case eliminate the measures established at the time of becoming a Supplier of the Group.

— Fair remuneration: the Supplier shall pay its employees in accordance with the provisions of applicable wage laws, including minimum wages, overtime and social security benefits.

HEALTH AND SAFETY: to provide a safe working environment, complying with the requirements established in connection with the prevention of occupational risks

— Employee protection: the Supplier shall ensure the protection of its employees, particularly protecting them from overexposure to chemical, biological or physical hazards or to tasks demanding excessive physical effort at the workplace.

— Potential emergency situations: the Supplier shall identify and evaluate potential emergency situations at the workplace and shall minimise the possible impact thereof by implementing emergency plans and emergency response procedures.
— Training and qualifications: the Supplier shall provide its personnel with the training and means required to do their work as agreed under contract, and shall be liable for any damage or loss attributable to it by action or omission, especially as a consequence of not having taken appropriate preventive measures to avoid it.

ENVIRONMENT: To maintain an environmentally-friendly preventive approach, fostering initiatives to promote enhanced environmental awareness

— Environmental aspects: the Supplier shall have in place an effective environmental policy that ensures compliance with all obligations applicable thereto under applicable law.

— Waste and emissions: the Supplier shall identify and manage those substances and other materials that present a hazard when released into the environment in order to ensure that they are handled, transported, stored, recycled or reused, and disposed of safely and in compliance with applicable regulations. All waste materials, waste water or emissions having the potential to adversely affect the environment shall be appropriately managed, controlled and treated.

PRODUCT QUALITY AND SAFETY: to promote continuous improvement in the quality of the products and services supplied

— Legal and customer requirements: all products and services delivered by the Supplier shall meet the quality and safety standards and parameters required by applicable law, with special emphasis being placed on adherence to agreed prices and delivery dates.

SUBCONTRACTING: to ensure compliance with these requirements by parties collaborating with and subcontractors of suppliers

— Value chain: Suppliers of the Group shall be responsible for ensuring that their own suppliers and subcontractors are subject to guidelines for action substantially similar to those established in this Suppliers’ Code of Ethics.

— Indirect violation of the Corporate Governance System: the actions performed and the procedures used by Suppliers to comply with their obligations towards the Group may not entail an indirect or intermediate violation of the Corporate Policies, the Code of Ethics or the other rules of the Company’s Corporate Governance System.

This Suppliers’ Code of Ethics is understood to be without prejudice to such additional conditions or requirements as may be imposed by applicable law, by the practices and rules of the various jurisdictions in which the Group operates and by the respective contract with each Supplier, which shall apply in all cases.

The basic principles set forth herein apply to all of the Group’s Suppliers, and the Group may ensure compliance therewith and shall act accordingly in the event of any violation. Furthermore, the Group shall make available suitable means to collaborate with its Suppliers with a view to increasing their competitiveness, establishing appropriate programmes in each case.

SUPPLIERS’ ETHICS MAILBOX

The Company has established a suppliers’ ethics mailbox (the “Suppliers’ Ethics Mailbox”) as a channel of communication so that Suppliers of the Company and the companies they hire to provide services or supplies to the Company (the “Subcontractors”), their respective employees, and companies that have participated in service or supply bidding to be Suppliers may report conduct that may involve a breach by a Group professional of the Corporate Governance System or an illegal act or the commission by a Supplier, one of its Subcontractors or their respective employees of an illegal act or act in violation of the provisions of this Suppliers’ Code of Ethics within the framework of their commercial relationship with the Company or the companies of its Group.

Suppliers must promptly report the above conduct of which they become aware due to their commercial relationship with the Company or the Companies of its Group.

By contracting with the Company, Suppliers undertake to inform their employees and their Subcontractors of the contents of this Suppliers’ Code of Ethics and the existence of the Suppliers’ Ethics Mailbox, as well as to require their Subcontractors to inform their employees thereof. In addition, Suppliers must be able to verify compliance with such obligations at the request of the Company.

Suppliers and Subcontractors may also use the Suppliers’ Ethics Mailbox to make queries or comments regarding the Suppliers’ Code of Ethics.
The country subholding and head of business companies of the Group that have compliance units or divisions may create their own suppliers’ ethics mailboxes or any other reporting channels that they deem suitable or appropriate for such purpose. Communications addressed to the Suppliers’ Ethics Mailbox may be sent by filling out an electronic form that will be available on the Company’s corporate website (in the Suppliers’ area) and, if appropriate, on the websites of the companies of its Group, in a section to be called “Suppliers’ Ethics Mailbox”.

The informing principles of the Suppliers’ Ethics Mailbox are the following:

a) The communications must always observe the standards of truthfulness and proportionality; this mechanism may not be used for purposes other than those seeking compliance with law or the internal rules cited above.

b) The identity of the natural person reporting an irregular activity through the Suppliers’ Ethics Mailbox shall be considered confidential information and therefore shall not in any case be communicated to the individual being accused and avoiding any kind of response by the accused person as a result of the report. In those jurisdictions in which applicable law so allows, grievances made through the ethics mailbox may be made anonymously.

c) Without prejudice to the foregoing, the data of the persons making the communication may be provided to governmental or court authorities, to the extent required by such authorities as a consequence of any proceeding stemming from the subject matter of the report, as well as to persons involved in any kind of subsequent investigation or court proceeding initiated as a consequence of the investigation. Such provision of data to government or court authorities shall in all cases be provided in full compliance with personal data protection legislation.

The Compliance Unit shall be responsible for managing the communications sent through the Suppliers’ Ethics Mailbox of the Company. In the case of country subholding and head of business companies of the Group that have compliance units or divisions, they shall be responsible for managing the communications sent through the Suppliers’ Ethics Mailbox of the respective company. If the matter affects a country subholding or head of business company of the Group that has its own compliance unit or division, the Compliance Unit shall send the communication to such unit or division in order for it to proceed with evaluation and processing in accordance with its own rules. Notwithstanding the foregoing, if the matter affects more than one country subholding or head of business company that has a compliance unit or division, the processing of the file shall be coordinated by the Compliance Unit.

The Compliance Unit and/or the compliance divisions and units of the country subholding and head of business companies, based on the particular circumstances of the case, may inform the author of the communication regarding the status of the process.

The data provided through the Suppliers’ Ethics Mailbox shall be the responsibility of the Company or the country subholding or head of business companies of the Group that have compliance units or divisions, for managing the communications received as well as to perform any investigations required to determine whether there has been a violation. The rights of access, rectification, erasure, limitation on processing, portability and objection, when applicable, may be exercised by means of written communication addressed to the registered office of the Company or of the country subholding or head of business companies of the Group, which may be consulted at the following link https://www.iberdrola.com/corporate-governance/structure through a written communication addressed to the corresponding company directed to attention of the “Compliance Division”, referencing the subject “LOPD”.

The Company and the other companies of the Group shall at all times treat the personal data of the natural person making the report in an absolutely confidential manner and in accordance with the purposes set forth in this section, and shall adopt the appropriate technical and organisational measures to ensure a level of safety appropriate to the risk, and shall permit verification that the processing is in accordance with applicable laws on data protection.

The companies of the Group shall in any event use the warnings required by law in each data collection form. However, given the differences in regulation in the various countries in which the Group does business, the foregoing shall be without prejudice to the operation of the Suppliers’ Ethics Mailboxes fully observing applicable law in each country in which the Group operates. The obligations and commitments assumed by the Group in its relations with third parties, as well as the customs and good practices of the countries in which it does business shall also be fully observed.
Specific Risk Policies for the Various Group Businesses
20 February 2018

Risk Policy for the Liberalised Businesses of the Iberdrola Group

The Risk Policy for the Liberalised Businesses of the Iberdrola Group provides the framework for the monitoring and management of risks associated with the Group’s liberalised businesses in the various countries in which it operates:

Spain and Portugal
a) Electricity production wholesale purchase and sale of energy (electricity, gas, and other fuel), including the power purchase agreement with Iberdrola Renovables España.
b) Retail sale of electricity, gas, and energy services.
c) Strategic and operational planning of electricity production, fuel supply, and emission rights and the wholesale and retail sale of electricity and gas.
d) Investments in new generation or cogeneration plants.

United Kingdom
a) Production of electricity and the wholesale purchase and sale of energy (electricity, gas, and other fuel), including the power purchase agreement with Scottish Power Renewables).
b) Retail sale of electricity, gas, and energy services.
c) Planning of electricity production, supply of fuel, and emission rights, and wholesale and retail sale of electricity and gas.
d) Investments in new generation plants.

Mexico
a) Production and sale of electricity to the Federal Electricity Commission (Comisión Federal de Electricidad) ("CFE").
b) Production and sale of electricity and steam to private user-partners.
c) Sale of the power from Iberdrola Renovables México under a signed services agreement.
d) Strategic and operational planning of electricity production and fuel supply.
e) Investments in new generation or cogeneration plants.

Brazil
a) Production and sale of electricity.
b) Strategic and operational planning of electricity production and fuel supply.
c) Investments in new generation or cogeneration plants.

Risk Policy for the Renewable Energy Businesses of the Iberdrola Group

The Risk policy for the Renewables Businesses of the Iberdrola Group provides the framework for the monitoring and management of risks associated with the activities related to the production of renewable energy carried out by the Group in the various countries in which it operates, specifically:
a) New investments.
b) Production and sale of renewable energy.
c) Operation and maintenance of the facilities.
In particular, it provides the guidelines for covering the market risk associated with the sales price of electricity in the various countries in which the Group operates.

Risk Policy for the Networks Businesses of the Iberdrola Group

The Risk Policy for the Networks Businesses of the Iberdrola Group provides the framework for the monitoring and management of risks associated with the regulated activities of each country in which the Group has a presence. The Risk Policy for the Networks Businesses of the Iberdrola Group applies to all regulated electricity and gas distribution and transmission/transport activities carried out by the Group in:
Spain
Regulated networks activities:

a) Distribution of electricity, including the planning, development, and operation and maintenance of networks.
b) Billing and collection for usage charges.
c) Reading of the meters of consumers connected to its networks.
d) Cut-off and reconnection of customers on behalf of sales companies or on its own behalf for ATR customers.

United Kingdom
Regulated activities of planning, development, and operation and maintenance of distribution and transmission networks, respectively.

United States of America
Regulated activities of:

a) Electricity transmission and distribution.
b) Regulated gas distribution and storage.
c) Retail sale of electricity and gas at regulated rates.

Brazil
Regulated activities of:

a) Supply of electricity for sale to unregulated customers.
b) Planning, construction, operation and maintenance of electricity transmission and distribution grids.

Risk Policy for the Real Estate Business
The Risk Policy for the Real Estate Business establishes the framework for the monitoring and management of risks affecting the business carried out by Iberdrola Inmobiliaria, in order to mitigate and reduce the risks associated with the fulfilment of its objectives. Particularly contemplated are the risks associated with activities of land management, real estate development, and the lease of assets of Iberdrola Inmobiliaria both in Spain and in other countries.
Part III.

Social Responsibility Policies

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General Corporate Social Responsibility Policy
20 December 2016

The Board of Directors of IBERDROLA, S.A. (the “Company”) has the power to design, assess, and continuously revise the Corporate Policies, which contain the guidelines governing the conduct of the Company and of the companies belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”), and further develop the principles reflected in the Mission, Vision, and Values of the Iberdrola group and the other rules of the Corporate Governance System.

The Corporate Social Responsibility Policies include the corporate social responsibility policies intended to favour a culture of social responsibility within the Group, on a global basis, which contributes to the sustainable creation of value for society, citizens, customers, shareholders, and the communities in which the Group does business, equitably compensating all groups that contribute to the success of its business enterprise, and to make new investments considering their social return, generating employment and wealth for society with a long-term vision that achieves a better future without compromising present results.

The Board of Directors of the Company has assumed as one of the basic premises for the success of its business enterprise to be the sustainable development of the communities in which it does business and the wellbeing of people: customers, citizens, and shareholders who contribute to achieving the corporate interest.

Aware of this reality, the Group contributes to the development of communities with its business activity and its social responsibility strategy, with measures designed to promote education and culture and to protect vulnerable groups, and works to establish firm and permanent bonds, taking into consideration the interests of its workforce, shareholders and the financial community, regulatory bodies, customers, suppliers, the media, society in general, and the environment (the “Stakeholders”).

Along these lines, the Group’s social responsibility strategy seeks to place it at the forefront of best practices in this area, convinced that these aspects are a fundamental part of its strategy of excellent and to improve its competitiveness, apart from being a basic component for fulfilling its corporate interest.

The General Corporate Social Responsibility Policy is intended to establish the basic principles and the general framework of activities for the management of corporate social responsibility practices assumed by the Company and the Group and to serve as the basis for integrating social responsibility into the Business Model of the Group and its strategy. The General Corporate Social Responsibility Policy is further developed and supplemented by various Social Responsibility Policies addressing specific needs and expectations of the Stakeholders.

The corporate website of the Company is one of the main instruments for channelling its relations with the Stakeholders.

The General Corporate Social Responsibility Policy applies to all companies within the Group, including the listed country subholding companies and subsidiaries thereof, with the special characteristics that may be established by the special framework of strengthened autonomy in each case.

At those companies in which the Company has an interest and to which the General Corporate Social Responsibility Policy does not apply, the Company will promote, through its representatives on the boards of directors thereof, the alignment of their own policies with those of the Company, such that they adhere to principles and guidelines that are consistent with those set forth in this General Corporate Social Responsibility Policy and in the other Social Responsibility Policies.

Objectives

1. Objectives of the General Corporate Social Responsibility Policy
The Company and the other companies of the Group carry out their business enterprise and their own business model with the objective of sustainably creating value for society, citizens, customers, shareholders, and for the communities in which they do business, providing a high-quality service through the use of environmentally-friendly energy sources, innovating and maintaining awareness of the opportunities offered by the knowledge economy.
For this purpose, the Group makes new investments considering their social return, promotes the growth and develops the technical and human capacities of its professionals, works for the safety of people and supply, and labours to build a successful business enterprise together with all of the participants in its value chain. Fulfilment of the corporate interest of the Company, as defined in its By-Laws, requires the assumption of corporate social responsibility policies that favour 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”.

The knowledge, dissemination, and diffusion of the values of the Group guide the conduct of the Board of Directors, the committees thereof, and the other decision-making bodies of the Company in its relations with Stakeholders. The instruments implemented by the Group must contribute to the development of the communities in which the Group is present with its business activities and its social responsibility, with measures directed toward promoting education and culture and protecting vulnerable groups, and specifically:

a) Favour the achievement of the strategic goals of the Group in order to offer a safe, reliable, and high-quality supply of energy that is respectful of the environment.

b) Improve the competitiveness of the Group through the assumption of management practices based on innovation, equal opportunities, productivity, profitability, and sustainability.

c) Responsibly manage the risks and opportunities deriving from changes in the surroundings, and maximise the positive impacts of its activities in the various territories in which it operates and minimise the negative impacts, to the extent possible.

d) Encourage a culture of ethical behaviour that increases business transparency in order to generate creditability and trust within the Stakeholders, which includes society as a whole.

e) Promote relationships based on trust and the creation of value for all of its Stakeholders, providing a balanced and inclusive response to all of them.

f) Contribute to boosting the reputation and the external recognition of the Group.

Principles of the policy

2. Corporate Social Responsibility and the Adaptation thereof to the Corporate and Governance Structure of the Group

To achieve the aforementioned objectives, the Group will be guided by the principles of conduct set forth in the Corporate Governance System, and specifically in the General Corporate Social Responsibility Policy and supplementary policies regarding society in general and the various Stakeholders with which it interacts and that are affected by its activities. The implementation, monitoring and supervision of such principles of conduct is the responsibility of the various companies of the Group in accordance with the corporate and governance structure of the Group, defined in the Corporate Governance System and particularly in the General Corporate Governance Policy, and is put into practice through the various committees that assume duties in the area of corporate social responsibility and reputation. Specifically:

a) The Corporate Committee on Corporate Social Responsibility and Reputation, which has the duties of: defining the basic corporate lines of evolution of social responsibility and reputation within the group, approving and monitoring the plans for development in both areas, being aware of the most significant advances, and cooperating in the preparation of the public information disclosed by the Company in these areas.

b) The Corporate Social Responsibility and Reputation Committees created within each of the country sub-holding companies, in order to promote compliance with the policies and guidelines approved in the various countries in which the Group operates: coordinating the corporate strategy among the various businesses carried out in each country and informing the Corporate Committee on Corporate Social Responsibility and Reputation of the results achieved.

3. General Principles of Conduct

In order to meet the goals set out in the area of corporate social responsibility, the Company adopts the following general principles of conduct:
a) Comply with applicable law in the countries and territories in which it does business, with the supplementary and voluntary adoption of international commitments, rules, and guidelines in those countries in which the legal framework is inadequate or insufficient, basing its relations with the competent public authorities in each jurisdiction on fidelity, reliability, professionalism, collaboration, reciprocity, and good faith.

b) Support the inclusion of the principles of the United Nations Global Compact, as well as other international instruments, especially in the areas of human rights, labour practices, the environment, and the fight against corruption.

c) Align its conduct with the principles contained in the Mission, Vision, and Values of the Iberdrola group and follow the guidelines contained in the other rules of the Corporate Governance System, especially those of the Code of Ethics, which governs the responsible conduct of all professionals of the Group in the performance of their activities.

d) Favour free market practices, rejecting any illegal or fraudulent practice, implementing effective mechanisms for prevention, surveillance, and punishment of irregular acts.

In particular, a commitment is assumed to pursue and denounce any practice of corruption of which the Group becomes aware in any of the territories in which it operates.

e) Adopt cutting-edge corporate governance practices, in line with good governance recommendations generally accepted in international markets, based upon business transparency and mutual trust with the Stakeholders.

f) Encourage communication and dialogue, thus facilitating the Group’s relationships with its shareholders, investors, employees, customers, suppliers, and, in general, all of its Stakeholders, in accordance with the Stakeholder Relations Policy, in order to forge a sense of belonging to an excellent company, to harmonise business values and social expectations, and to adapt, to the extent possible, the policies and strategies of the Group to their interests, concerns, and needs, using all communications within its reach such as direct contact, social networks, and the corporate website of the Company and of the various companies of the Group.

4. Main Principles of Conduct

Set forth below is a description of the main principles of conduct of the Group with respect to the various aspects of corporate social responsibility and with its principal Stakeholders.

4.1 Principles of Conduct with respect to the Sustainable Creation of Value

The sustainable creation of value is the fundamental value governing the policies, strategy, and operations of the Group, and entails the equitable compensation of all groups contributing to the success of the Group’s business enterprise and consideration of the social return on new investments, generating employment and wealth for society with a long-term vision that seeks a better future without compromising present results.

The fundamental principles are developed in the Sustainability Policy and can be synthesised as follows:

a) Spread universal access to modern forms of energy, with models that are environmentally sustainable, economically feasible, and socially inclusive.

b) Establish instruments to strengthen the competitiveness of the energy products supplied through efficiency in energy generation, transmission, and distribution processes. The Company thus pays special attention to the excellent management of its processes and resources, using the instruments developed in the Quality Policy.

c) Implement strategies tending to ensure the safe and reliable supply of energy products.

d) Advance the sustainable use of resources and the protection of biodiversity and contribute to the fight against climate change, promoting the minimisation of impacts caused by the Group’s activities, nurturing respect for the natural environment, and striving to provide information and education in this culture.

e) Strengthen the social dimension of the Group’s activities and contribute to sustainable development through awareness-raising among the citizenry on the responsible consumption of products and services, among other measures.

4.2 Principles of Conduct with respect to Transparency

Transparency is fundamental for transmitting confidence and credibility, both to the markets and investors, as well as to employees and the rest of the Stakeholders. The Company undertakes to:

a) Disseminate relevant and reliable information regarding the Group’s performance and activities.
b) Encourage transparency, assuming a commitment to annually prepare and publish financial and non-financial information regarding its activities, following generally accepted methodologies and submitting the information to independent external verification with respect to the latter.

In particular, apart from the additional information required by applicable legal provisions in each country or voluntarily assumed by the Company or any of the other companies of its Group, the Company shall publish the following reports: the Integrated Report, the Annual Financial Report, the Annual Corporate Governance Report, the Sustainability Report, the Annual Director Remuneration Report, and a report on the activities of the Board of Directors and of the committees thereof.

4.3 Principles of Conduct with respect to the Protection of Intellectual Capital

Intellectual capital constitutes the principal differentiating element of competitive companies. Therefore, the Company considers the development and protection thereof to be a fundamental aspect, which is further developed in the Knowledge Management Policy and the Corporate Security Policy, the main principles of conduct of which are:

a) Foster initiatives, procedures, and tools that allow the Company to truly and effectively exploit the Group’s intellectual capital.

b) Develop specific defence plans that guarantee the appropriate protection of the Company’s intellectual capital, especially with regard to cybersecurity and to the fight against industrial espionage, in accordance with the provisions of the Corporate Security Policy.

4.4 Principles of Conduct with respect to Innovation

The Company believes that innovation is the Group’s principal tool for ensuring sustainability, efficiency, and competitiveness, and is a strategic variable that affects all of its businesses and all of its activities. The main principles of conduct that further develop the Group’s desire to lead innovation within the energy industry are set forth below and further developed in the Innovation Policy.

a) Promote research, development, and innovation (RD&I) activities, focusing on sustainable development and the promotion of renewable energy and emerging technologies.

b) Create innovations fostering sustainable growth and the efficient management of resources and contributing to the social and economic development of the surroundings in which the Group does business.

c) Engage in projects in the area of universalisation of energy services based on models that are environmentally sustainable, economically feasible, and socially inclusive.

d) Place the Group at the forefront of new technologies and disruptive business models.

4.5 Principles of Conduct with respect to Responsible Tax Policy

The taxes that the Group pays in the countries and territories in which it does business are the main contributions of the Group’s companies to the funding of public purpose needs and, accordingly, one of their contributions to society.

Within the framework of the provisions of the Corporate Tax Policy, the Group assumes the following commitments:

a) Compliance with applicable tax laws in the various countries and territories in which the Group operates.

b) The making of decisions on tax matters based on a reasonable interpretation of applicable legal provisions and in close relationship to the activities of the Group.

c) Not to create or acquire companies resident in tax havens, with the sole exception of those cases in which it is forced to do so because it is an indirect acquisition in which the company that is resident in a tax haven is part of a group of companies that are being acquired.

d) Avoid the use of opaque or artificial structures unrelated to the Group’s business activities for the sole purpose of reducing its tax burden. In particular, a commitment is made not to enter into transactions with related entities solely to erode the tax basis or to transfer profits to low-tax territories.

e) The strengthening of the relationship with tax authorities based on trust, good faith, professionalism, cooperation, loyalty, and reciprocity, without prejudice to the legitimate disputes that, observing the aforementioned principles and in the defence of the corporate interest, may arise with such authorities concerning the interpretation of applicable legal provisions.
Principles of conduct with respect to the principal stakeholders

5. Principles of Conduct with respect to the Principal Stakeholders

5.1 Shareholders and Investors

The Company’s shareholders and investors are the main Stakeholder with which the Group relates. The principles guiding this relationship are:

a) Shareholders must exercise their rights vis-à-vis the Company and 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 of the Company.

b) The Company facilitates and promotes a responsible exercise of their rights and the performance of their duties by the shareholders and the holders of rights or interests in shares, subject to the principle of equal treatment.

c) The Company favours the informed participation of the shareholders at the General Shareholders’ Meeting and takes proper measures to facilitate the effective exercise by the shareholders at a General Shareholders’ Meeting of the powers they hold under the law and the Corporate Governance System.

The Board of Directors thus makes available to the shareholders, on the occasion of each General Shareholders’ Meeting, a Shareholder’s Guide and certain rules of implementation that standardise, adapt, further develop, and make more specific the provisions of the Company’s Corporate Governance System concerning the exercise of shareholders’ rights relating to the holding of the General Shareholders’ Meeting.

d) The Company encourages the engagement of the shareholders in corporate life, especially in the areas of corporate governance and social responsibility. For this purpose, the Board of Directors has adopted various initiatives like Shareholder Day, has created and developed various channels for communication and participation, and has approved the Shareholder Engagement Policy.

e) The Board of Directors of the Company has approved a Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors that develops the relations with analysts, institutional investors, and proxy advisors, and recognises ongoing attention to the transparency of information for shareholders and the markets generally as a strategic goal.

5.2 Communities Where the Group Does Business

The Group is characterised by its international presence. In its operations, it assumes the following principles relating to the various territories and communities in which it operates:

a) Build strong bonds with the communities in which the Group does business, thus generating confidence and forging a sense of belonging to an excellent company, of which they feel they are an integral part.

b) Harmonise the activities of the Group in the various countries in which it operates with the various social and cultural realities.

c) Strengthen relations of trust with the various communities with which it interacts, by supporting the various governments and leading social organisations.

d) Favouring access to energy, both by groups with particular economic difficulties and by isolated communities.

e) Strengthen respect for the rights of ethnic minorities in all of the communities in which the Group is present.

f) Engage in corporate volunteering programmes that promote the participation of the professionals of the Group in volunteer actions to put into practice the provisions of the Mission, Vision, and Values of the Iberdrola group as regards improving the quality of life of people, looking after the environment, and sustainable development, as well as universal access to energy, including collection campaigns that seek to respond to social needs.

g) Support the promotion and conservation of cultural and artistic heritage of the territories and communities in which the Group does business.

h) Support initiatives that contribute to a more healthy, egalitarian, and just society, such as the promotion of reconciliation of personal and professional life and equality in sport.

The Group also collaborates on specific projects in emerging and developing countries as well as in areas in a situation of humanitarian crisis, actively participating in the search for sustainable solutions for access to modern forms of energy.
5.3 The Environment
The Company aspires to be the preferred global energy company, among other reasons, because of its respect for the environment, as highlighted and developed in the following policies: the Environmental Policy, the Policy against Climate Change, and the Biodiversity Policy.

The Group’s devotion to leadership in the development of clean energy and respect for the environment are the pillars of its energy production model and the factor that distinguishes it in the energy industry as one of the leading companies worldwide. This takes form in the following basic principles of conduct:

a) Preserve the biodiversity of the ecosystems, landscapes, and species where the Company carries out its activities, both in the construction stage and in the operation and during the dismantling of its infrastructure.

b) Prevent pollution by gradually reducing the intensity of greenhouse gas emissions, continuing the development of electric energy from renewable sources, and progressively introducing more efficient technologies having a lower intensity of carbon dioxide emissions.

c) Optimise the management of hazardous and non-hazardous waste through systems that set objectives and goals on, among other aspects, waste reduction, the use of best practices, and the use of recycled materials.

5.4 Employees
The Group considers its employees to be a strategic asset, to whom it cares for and offers a good working environment, encouraging their development, training, and reconciliation measures, and favouring equality of opportunity.

Therefore, Group companies work to obtain, promote, and retain talent and to encourage the personal and professional growth of all persons within its workforce, making them participants in its successful business enterprise and guaranteeing them a dignified and safe job.

The inter-relation of the various companies of the Group with their employees follows the following principles:

a) Respect the human and labour rights recognised by domestic and international laws and, in particular, those the violation of which degrades the workforce, which entails the opposition to child labour and to forced or compulsory labour, and respect the freedom of association and of collective bargaining as well as the rights of ethnic minorities in the countries where the Group does business, upon the terms set forth in the Policy on Respect for Human Rights.

b) Recruit, select, and retain talent within a favourable employment relationships framework, based on equality of opportunity, non-discrimination, and the consideration for diversity in all its variables, facilitating measures for the integration of disadvantaged groups and groups with various abilities, and for reconciliation of personal and working life.

c) Recognise and value family and personal connections among the professionals of the Group, a necessary consequence of its strong local roots within the communities in which it has historically done business, and establish measures ensuring that employees with such connection are not favoured or discriminated against in hiring and promotion.

d) Establish a remuneration policy that favours the hiring of the best professionals and strengthening of the Group’s human capital.

e) Promote the training and qualification of workforce, favouring professional promotion and adapting human resources to a diverse and multicultural work environment. This principle of conduct is developed in the Knowledge Management Policy.

f) Ensure a safe and healthy working environment within the Group and in its spheres of influence. The measures that favour this objective are developed in the Occupational Safety and Health Policy.

These principles of conduct are further developed in the Human Resources Framework Policy, in the Policy on Equal Opportunity and Reconciliation, and in the Recruitment and Selection Policy.

5.5 Customers
The companies of the Group work to know the needs and expectations of their customers in order to offer them the best solutions, defending the proper operation of the market under free competition, continuously working to care for and increase their satisfaction, strengthening their connection to the Group, and promoting responsible consumption, and therefore assume the following principles of conduct:
a) Obey and comply with the rules governing communication and marketing activities and accept the voluntary codes that provide transparency and truthfulness to such activities.

b) See to the protection of the health and safety of its customers in all of the life cycles of the products it sells, by complying with the law applicable in each case and providing training and information to consumers using various instruments: corporate websites, information in invoices, and the development of training and informational campaigns.

c) Provide information to its customers allowing for a more rational, efficient, and safe use of electricity and gas in the countries in which it sells its products.

d) Pay attention to customers who are economically disadvantaged or in any other situation of vulnerability, establishing specific procedures of protection and collaborating in providing on-going access to energy and gas supply according to the policies established by the competent government administrations in each case.

e) Facilitate effective access to information regarding the services provided by the Group that is needed by customers with idiomatic or sensory difficulties, by implementing the appropriate instruments for such purpose.

f) Adopt the instruments necessary to ensure the confidentiality of the data of its customers, in accordance with the provisions of the Code of Ethics.

g) Pursue continuous improvement of the quality of supply in the various countries in which it operates.

h) Monitor the quality of the service provided to its customers, through surveys measuring their satisfaction, and through customer service.

5.6 Suppliers

It is essential to ensure that all participants in the value chain of the Group’s companies respond to and accommodate generally accepted ethical and social responsibility principles, in addition to applicable laws and the Corporate Governance System. Therefore, the principles of conduct are:

a) Adopt responsible practices in the management of the supply chain.

b) Cause all participants in the value chain to comply with the principles and values set forth in the Supplier Code of Ethics regarding business ethics and transparent management, labour practices, health and safety, the environment, the quality and safety of the products and services sold, and development of responsible practices in the supply chain, promoting strict respect for the human and labour rights recognised in domestic and international law, in performing its activities.

This General Corporate Social Responsibility Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 20 December 2016.
Stakeholder Relations Policy

19 December 2017

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with the power to design, evaluate and review the Company’s Corporate Governance System on an on-going basis and to approve the Corporate Policies that further develop the principles reflected in such system, which contain the guidelines governing the actions of the Company and of the companies belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).

Among the Corporate Policies, corporate social responsibility policies are intended to promote a global culture of social responsibility within the Group, which will help improve the well-being of people, promote the economic and social development of the communities in which it has a presence and create sustainable value for shareholders and investors, employees, customers, suppliers and other stakeholders of the Company.

Pursuant to the provisions of its By-Laws, 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 creation of value by engaging in the activities included in its corporate object, 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.

In all of its activities, the Company particularly promotes the maximisation of the social dividend, which is envisaged as the sustainable creation of value for all stakeholders affected by the activities of the Group through its businesses, using a social responsibility strategy focused on stimulating the business communities in which the Company participates and which it leads, both from an economic viewpoint as well as from the perspective of business ethics, the promotion of equality and justice, the encouragement of innovation and respect for the environment, as well as through the generation of high-quality employment, its social responsibility strategy and its efforts to combat climate change.

Along these lines, the Company believes that its relations with those groups that may influence or that are affected by the decisions or the value of the Company and the Group are significant.

There are many such groups within the value chain comprised of the Group businesses. For purposes of this Stakeholder Relations Policy, these groups are grouped into the following categories (the “Stakeholders”):

a) Workforce
b) Shareholders and the financial community
c) Regulatory entities
d) Customers
e) Suppliers
f) The media
g) Society at large
h) The environment

This Stakeholder Relations Policy will generally govern the relations of the Group with the stakeholders described above, ensuring the coordinated action of all companies forming a part thereof, particularly at the country level through the country subholding companies, and with respect to each of the businesses of the Group.

The foregoing shall be deemed to be without prejudice to the approval by the Board of Directors of other Corporate Policies directed towards specific Stakeholders such as, for instance, those approved in connection with shareholders, employees or the environment, which set forth the general principles that are to govern the Company’s activities in each specific area.

Given the large number of groups or interests that may be deemed to be included in each of the Stakeholder categories identified above, and in order to manage them properly, the Company may identify subcategories to promote specific aspects of such relations that are focused on the expectations of more specific organisations or groups.
1. Purpose
The Board of Directors has approved this Stakeholder Relations Policy in order to promote a framework of relations based on two-way communication, engagement and collaboration, as well as 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, building relationships of trust on an ongoing basis.

2. Basic Principles of Stakeholder Relations
In its relations with Stakeholders, the Group accepts and promotes the following basic principles:

a) Development of a responsible business model in order to be an innovative, transparent, integrating, open and committed company, capable of creating sustainable value for all Stakeholders on a shared basis therewith.

b) Maintenance of a strategy of strong involvement in the communities in which it operates.

c) Allocation of the necessary resources to the proactive, continued and systematic establishment of fluid channels for dialogue with Stakeholders, in order to establish balanced relationships between corporate values and social expectations, taking into account their interests, concerns and needs.

d) Development and maintenance of a dynamic organisational structure that allows for the promotion and coordination of responsible actions with Stakeholders, and using various instruments to favour communication and dialogue therewith, within a constant process of adaptation to their needs, expectations and interests: direct contact, the Company’s corporate website, the websites maintained by the different companies of the Group and the Group’s proactive presence on social media. The ultimate goal of these tools is to encourage the engagement of all of the Company’s Stakeholders, reinforce their sense of belonging, strengthen the IBERDROLA brand, favour the development of the businesses of the Group, emphasise its social side, and progress with the digital transformation of the Company.

e) Commitment of the Group to business ethics and corporate social responsibility and, in particular, the principles of business honesty and transparency as drivers of credibility and mutual trust, are the foundations on which the Group builds its relations with Stakeholders.

f) Identification and consideration of the viewpoints and expectations of affected communities as part of decision-making processes that may have potential impacts on the local population. These actions are taken through consultation processes which vary based on country and activity and thus on the applicable law in each case. These processes can also be complemented with other processes on a voluntary basis, if deemed appropriate.

g) Assignment to the Company of the duty of designing, approving and supervising the Stakeholder relationship strategy, endeavouring to ensure proper coordination at the Group level, without prejudice to the implementation of this strategy being governed by the principle of subsidiarity, such that the Group company that is closest to the Stakeholder is primarily responsible for interaction in each case.

h) Preparation and disclosure of relevant and reliable periodic financial information and non-financial information regarding the performance and activities of the Group, subject to external independent verification when appropriate.

3. Channels for Dialogue of the Company with Stakeholders
The Company establishes channels for dialogue with Stakeholders to respond to their needs and expectations. These channels are continuously evolving to adjust to the needs of each moment and the various forms and uses commonly used within each of the channels of communication, based on the suitability thereof and with an attempt to maximise the effectiveness thereof.

Apart from the corporate website, the various websites of the Group and social media, which are the main channels for the Company’s relations with Stakeholders, it also has other means of dialogue, including:

a) Workforce: mixed subcommittees or committees with employees, opinion surveys, Ethics Mailbox and suggestion boxes, the Global Employee Office and the employee portal within the intranet. The Group also has the Iberdrola Campus and its own Management School.

b) Shareholders and the financial community: personal contact with fixed income and equity investors as well as ratings agencies and shareholders, the Office of the Shareholder, the Shareholder’s Club, the “Share-
holder Relations” multi-device app, periodic informational brochures and bulletins, the corporate website, and particularly a specific channel for communication with shareholders (OLS).

c) Regulatory entities: consultations and periodic meetings with regulatory entities, both through direct contact and through industry organisations.

d) Customers: the company has established both face-to-face and remote channels for direct customer assistance (including online channels like a special website, presence on social media and various mobile apps), systems for improving the servicing and handling of complaints and claims, and customer satisfaction surveys, and also promotes other channels for relations with consumer associations and institutions.

e) Suppliers: the Suppliers’ Ethics Mailbox, the supplier portal on the corporate website, the Supplier Service Centre and supplier satisfaction surveys; while also maintaining processes for supplier registration and classification, supplier campaigns, meetings with suppliers and an exclusive mailbox on the website.

f) The media: press releases, individual and group meetings with the media, organisation of visits to the Group’s facilities, maintenance of a virtual press room, and a mailbox for questions on the corporate website, as well as an active presence on social media.

g) Society in general: through the corporate website, participation in social media and conventional channels of communication, maintaining direct relations with institutions in Spain and with the heads of the various government administrations. The Group also actively participates in numerous business and industry organisations, collaborates with academic and educational institutions and organisations connected to innovation, participates in projects of collaboration with social, cultural and sporting institutions and organisations, maintains direct relations with social groups in the areas around the facilities, and participates in informational forums, seminars and conferences.

h) The environment: existence of a specific mailbox on the corporate website and disclosure of environmental information through social media, as well as the implementation of supplier surveys, environmental impact evaluation and public consultation processes for new facilities, and the adoption of specific initiatives like electric vehicles for the professionals of the Group and collaboration with academic institutions.

4. Significant Matters

The Company has equipped itself with appropriate tools for the identification of those issues within its business activity that are considered to be significant at the global level, among which the following are noteworthy:

a) In relation to the workforce: labour conditions generally, and particularly occupational health and safety conditions, training, human resources process management, and published information.

b) In relation to shareholders and the financial community: the financial and economic situation of the Company, attention to and participation in the General Shareholders’ Meeting, as well as the Company’s long-term strategy, sustainability and corporate social responsibility aspects, information on the markets in which the Group operates and the regulation thereof.

c) In relation to regulatory authorities: safety in supply, the financial aspects of supply (prices and competitiveness) and environmental sustainability.

d) In relation to customers: transparency in charging and billing, suggestions and grievance processes, as well as determination of rates and access to energy by vulnerable customers.

e) In relation to suppliers: their relation to the Procurement Area, registration and classification processes, respect for Human Rights and ethical principles in doing business, environmental responsibility, respect for workplace health and safety rules, and procurement from local suppliers.

f) In relation to the media: the communication of significant events (hechos relevantes) sent to the National Securities Market Commission, matters related to electricity regulation in the countries in which the Group operates, its global strategy and international positioning, corporate governance, and the Company’s social responsibility strategy.

g) In relation society in general: issues relating to electricity regulation as well as innovation and protection of the environment, compliance with the Sustainable Development Goals promoted by the United Nations Organization, promotion of the universalisation of energy, as well as the Group’s contribution to the communities in which it is present in areas like entrepreneurship, education, art and culture.
h) In connection with the environment: the fight against climate change, the promotion of biodiversity, energy efficiency and water management, the promotion of sustainable mobility, the Group’s environmental management model and its carbon and environmental footprint.

The identification and assessment of the significance of the matters to be taken into account entails a dynamic process and is subject to appropriate evaluation in each of the activities and businesses of the Group, such that they may provide a starting point for the design of suitable responses to be provided during the course of the day-to-day management thereof.

5. Other Processes and/or Instruments for Stakeholder Relations Management

The Board of Directors of the Company and the chairman & chief executive officer thereof are responsible for the design, approval, and supervision of the Stakeholder relations strategy and of the general guidelines that the Group must follow in this regard, without prejudice to the powers of further development and implementation vested in the boards of directors of the country subholding companies and head of business companies within their respective purview.

This strategy is implemented pursuant to the Stakeholder Relations Model, which further defines and develops the provisions of this Stakeholder Relations Policy.

Specifically, the Stakeholder Relations Model contains the principles and guidelines that should govern relations between the companies of the Group and the Stakeholders, taking into consideration the special nature and uniqueness of each country and business. This model is based on the groups established by this Stakeholder Relations Policy and favours the segmentation and prioritisation thereof based on the impact and influential ability of the companies of the Group, as well as the impact and influential ability of the companies of the Group within these subgroups.

The Stakeholder Relations Model contains the guidelines for designing the type of relationship model with each stakeholder subgroup, and for this purpose identifies those responsible for the relationships as well as the channels and frequency of the contacts to properly manage them. It also identifies the significant issues for each Stakeholder, as well as the related risks and opportunities in each case, and contains the principal guidelines to design action plans that respond to the expectations of the Stakeholders while improving the flows of reporting on Stakeholder relations.

The implementation of the Stakeholder Relations Model, as well as the results of this process, are evaluated by a working group called the Iberdrola Stakeholders’ Hub and by the Corporate Social Responsibility and Reputation Committee. Furthermore, both the Sustainability Report and the Integrated Report contain updated information on the Company’s relations with its Stakeholders.

The Corporate Committee on Corporate Social Responsibility and Reputation, and the Corporate Social Responsibility and Reputation Committees created at each of the country subholding companies are ultimately responsible for supervising and coordinating the development of the strategy for relations between the Group companies and Stakeholders.

The Company has the following processes and/or instruments supplementing the channels for dialogue established for relations with Stakeholders:

a) Adoption of rules or standards: given the importance of Stakeholder relations in the Group’s social responsibility and in external perception by the social environment, internationally recognised rules or standards on the matter, of interest to the Company, are examined and adopted.

b) Preparation of action plans: in order to improve the Company’s relations with Stakeholders and to respond to their concerns, action plans are established as part of multi-annual corporate social responsibility plans, which take into account the specific characteristics of such Stakeholders and the geographic area in which they operate.

c) Participation of Stakeholders in the planning and development of the Group’s energy projects: within the framework of the principles set forth in this Stakeholder Relations Policy, the Company endeavours to take into account the viewpoints of affected communities in the planning and development of its energy projects.

This Stakeholder Relations Policy was initially approved by the Board of Directors on 17 February 2015 and was last amended on 19 December 2017.
Innovation Policy
20 December 2016

The Board of Directors of IBERDROLA, S.A. (the “Company”) directs innovation in the Company and the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), towards an ever more efficient management of available resources and knowledge, while ensuring that the best technologies are efficiently introduced, providing competitive advantages for the Group as well as benefits for the shareholders, customers, employees, and other stakeholders of the Company.

1. Purpose

Innovation is the Group’s principal tool for ensuring sustainability, efficiency, and competitiveness, and is a strategic variable that affects all of its businesses and all of its activities. This Innovation Policy further develops the provisions of the Group’s values relating to innovation and seeks to define and disseminate the strategy allowing the Company and its Group to become leaders in innovation in the energy industry, with their activities in this field pivoting around sustainable development, development of renewable energy, and emerging technology, always complying strictly with applicable law and with other commitments of the Group.

The Company sees innovation as an open and decentralised process. It is decentralised because it is carried out independently in each business unit, with the support of and coordinated by the Company’s Innovation, Environment, and Quality Division, which is subordinate to the Chairman’s Office. It is open because the Company considers itself to be a technology driver and, as such, its vocation is to involve technology suppliers of the Group, such as universities, technology centres, and equipment manufacturers, in its innovation process. In addition, the Company believes that the innovation process must be consistent among all business units, and, to that end, the Innovation, Environment, and Quality Division is responsible for the implementation thereof.

2. Main Principles of Conduct

The Innovation Policy is based on the following principles of conduct:

a) Promote research, development and innovation (RD&I) activities, focusing on efficiency aimed at the ongoing optimisation of the Group’s business operations, management of facilities and equipment lifespans, reduction of operation and maintenance costs, and decrease in environmental impact, as well as the development of new products and services to satisfy the needs of the customers.

b) Place the Group at the forefront of new technologies and disruptive business models, by practising a “culture of innovation” that pervades the entire organisation and creates motivating work environments that favour and reward the generation of ideas and innovative practices by professionals, accepting risk and recognising creative contributions.

c) Create innovations fostering sustainable growth and the efficient management of resources and contributing to the social and economic development of the surroundings in which the Group does business.

d) Engage in projects in the area of universalisation of energy services based on models that are environmentally sustainable, economically feasible, and socially inclusive.

e) Incorporate innovation into all training within the companies of the Group by means of courses and specific programmes to develop skills relating to creativity.

f) Implement an innovation management system that includes the establishment of annual targets and goals as part of an ongoing improvement process, managing the Company’s human and intellectual capital as an effective support for the entire creative and innovative process.

g) Promote a system of technological monitoring and prospecting to identify opportunities and challenges for the businesses of the Group and detect the need for innovation in processes or services to allow it to act in advance of technological changes in the market.

h) Foster cooperation and alliances with the academic world and with other interested parties, by means of links that make it possible to multiply the innovative capacity of the Group.
i) Circulate internally the knowledge gained, so that all professionals are familiar with the best practices applicable to their activity in the search for efficiency and effectiveness in the processes of the Group.

j) Protect the results of the innovation process, managing intellectual and industrial property suitably and ethically, which shall in every case entail respect for the intellectual and industrial property of third parties.

k) Support innovations that provide added value for users and boost the satisfaction of shareholders, customers, employees, and other stakeholders.

3. Innovation Strategy of the Listed Country Subholding Companies of the Group

The provisions of this Innovation Policy shall in any case be deemed to be without prejudice to the strengthened autonomy enjoyed by the listed country subholding companies of the Group to determine their own innovation strategy, which must be consistent with the policy established for the rest of the Group and with the provisions of this Innovation Policy.

This Innovation Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 20 December 2016.
The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with the power to design, evaluate, and review the Company’s Corporate Governance System on an ongoing basis and to approve the Corporate Policies, which further develop the principles adopted by such body of rules and regulations and which establish the guidelines that govern the activities of the Company and of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as the conduct of its directors, officers, and employees.

Among the Corporate Policies, the corporate social responsibility policies are designed to favour a culture of social responsibility within the Group, on a global scale. Respect for human rights is one of the main pillars on which such culture rests.

1. Purpose

The purpose of this Policy on Respect for Human Rights is to formalise the Group’s commitment to the human and labour rights recognised in domestic and international legislation and to the principles underpinning the United Nations Global Compact, the Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation’s Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, as well as such documents or texts as may replace or supplement those mentioned above.

2. Main Principles of Conduct

In order to achieve the objectives set forth above, the Group upholds and undertakes to promote the following basic principles, which must inform its activities in all areas:

a) To demand from all Group professionals and suppliers strict respect for the human and labour rights recognised in domestic and international legislation in the conduct of their activities, as well as compliance with international standards in those countries in which human rights legislation has not reached an adequate level of development.

b) To reject child labour and forced or compulsory labour, and to respect freedom of association and collective bargaining, the right to freely circulate within each country, as well as non-discrimination and the rights of ethnic minorities and of indigenous peoples in the places in which it carries out its activities.

c) To promote the implementation of due diligence procedures in order to identify the situations and activities that pose the highest risk of violation of human rights (particularly in the areas mentioned in the preceding principle) and to develop mechanisms for prevention and mitigation of such risk in its activities and in those conducted by its suppliers.

d) To require its suppliers to abide by the Suppliers’ Code of Ethics, pursuant to which they have the duty to promote activities and adopt such measures as may be needed in their organisation in order to eliminate all forms or types of forced or compulsory labour, to expressly reject the use of child labour in their organisation, to respect their workers’ freedom of trade association and right to collective bargaining, to reject all discriminatory practices in connection with employment and labour, affording their employees fair treatment based on dignity and respect, and to pay their workers as provided by applicable wage laws, including minimum wages, overtime, and social security benefits.

e) To regularly verify the application of the procedures for identification of risk situations and activities and of the mechanisms for prevention and mitigation of the risk of violation of human rights, using monitoring indicators and focusing its analysis particularly on the main locations of operations in which there might be a risk of violation of such rights, taking as a reference the reports and recommendations issued by reputed international organisations.

f) To report on the results of such verification activities in its annual public information, available on its corporate website.
g) To adopt such measures as may be applicable in the event of detecting any violation of human rights at its facilities or at those of its suppliers, as provided in the Code of Ethics or in the Suppliers’ Code of Ethics, and to report thereon to the competent government authorities in order for them to take any appropriate action when such violation may amount to an administrative or criminal offence.

h) To have in place reporting and grievance mechanisms, equipped with adequate guarantees and settlement procedures, in order to respond to any events of violation of human rights that may be reported by persons or organisations from outside the Group.

i) To advance a culture of respect for human rights and promote awareness-raising in this field among its professionals at all companies within the Group, and especially at those where there may be a higher risk of violation of such rights.

3. Implementation and Update

The Company shall draw on specialised external advice in order to conform the Group’s operating procedures to the principles set forth in this Policy on Respect for Human Rights and to prepare any future updates of the text hereof.

This Policy on Respect for Human Rights was initially approved by the Board of Directors on 17 February 2015 and was last amended on 21 February 2017.
Quality Policy
20 October 2015

The Board of Directors of IBERDROLA, S.A. (the “Company”), a leader in the energy sector, believes that outstanding management of all processes and resources is an indispensable tool in the creation of value for people: shareholders, customers, employees, and the other stakeholders of the Company.

1. Purpose

The value-creation model of the Company and the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), is supported by growth that is sustainable, equitable, profitable, and committed to strict compliance with current legislation and with other commitments and requirements undertaken voluntarily.

The Quality Policy seeks to contribute to the Groups’ sustainable growth model within the context of the culture of excellence and quality management procedures.

The Company supports and coordinates compliance with this Quality Policy by all the companies of the Group through the Innovation, Environment, and Quality Division, which is subordinate to the Chairman’s Office.

2. Main Lines of Action

To achieve these goals, the Group accepts and promotes the following basic principles that must guide all of its quality activities:

a) Know the expectations of customers of the Group, both internal and external, and those of other stakeholders, in order to deliver products and services to their full satisfaction.

b) Promote activities to satisfy or even exceed the expectations of the customers of the Group, its employees, and other stakeholders.

c) Enhance the culture of continuous improvement and excellence in management in order to increase competitiveness and the creation of value for shareholders, employees, and other stakeholders.

d) Encourage the use of quality management systems within the various organisations of the Group.

e) Foster the involvement of the Group’s employees by means of teamwork, an appropriate flow of information, internal communication, training, and recognition of achievements.

This Quality Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 20 October 2015.
Corporate Security Policy
28 April 2015

The Board of Directors of IBERDROLA, S.A. (the “Company”), being aware that security, in all its forms, is a fundamental need for persons without which they cannot fully carry out their activities, has approved this Corporate Security Policy.

1. Purpose

The Corporate Security Policy seeks to ensure the effective protection of persons, assets, and intellectual capital of both the Company and the other companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), while at the same time ensuring that security-related actions fully conform to the law and scrupulously respect human rights.

2. Main Lines of Action

For purposes of achieving the aforementioned goals, the Group assumes and promotes the following basic principles, which must inform all its activities in the area of corporate security:

a) Comply with applicable security law in the countries in which it operates, fully respecting human rights.

b) Design a preferably preventative security strategy that aims at minimising physical and logical security risks, and allocating the resources necessary for its implementation.

c) Guarantee the protection of professionals, assets, knowledge, and other Group information, as well as the normal performance of its activities.

d) Develop specific defence plans that guarantee the appropriate protection of the Company’s intellectual capital, especially with regard to cybersecurity and to the fight against industrial espionage, acting on a coordinated basis with the Systems Division in accordance with the provisions of the Cybersecurity Risk Policy.

e) Establish controls over the Company’s inflows and outflows of information to prevent the leak or theft of sensitive information, whether accidentally or intentionally.

f) Identify critical points relating to the security of the Group, define actions for prevention and ongoing improvement, and be aware of the security situation within the Group.

g) Avoid the use of force in the exercise of security, using it solely and exclusively when strictly necessary and always in accordance with the law and in a manner proportional to the threat faced, to protect life.

h) Ensure and reinforce the proper qualification of all security personnel, both internal and external, establishing rigorous training programmes and defining hiring requirements and standards that take these principles into account.

i) Specifically, train all security personnel in the area of human rights, or ensure that such personnel have received proper training in this area.

j) Evaluate from time to time the providers of security during the term of their contract, with the aim of identifying points for improvement.

k) Contribute to the creation of a culture of security within the Group by means of communication and training activities in this area.

l) Collaborate and not interfere with public security authorities in the discharge of their legitimate duties, all without prejudice to the aforementioned principles.

This Corporate Security Policy was initially approved by the Board of Directors on 23 September 2013 and last amended on 28 April 2015.
Human Resources Framework Policy
24 April 2018

The Board of Directors of IBERDROLA, S.A. (the “Company”) considers its employees to be a strategic asset. Pursuant to the provisions of the Mission, Vision and Values of the Iberdrola group, the employees of all companies belonging to the group of which the Company is the controlling entity, with the meaning established by law (the “Group”), must care for their employees and offer them a good working environment, encouraging their development, training and reconciliation measures, and favouring equality of opportunity.

1. Purpose

The purpose of this Human Resources Framework Policy is to define, design and disseminate a human resources management model of the Group that will allow it to obtain, promote and retain talent and encourage the personal and professional growth of all people belonging to the Group’s workforce, making them participants in the successful business enterprise and guaranteeing them a dignified and safe job.

The Human Resources Framework Policy is further developed by the following corporate social responsibility policies: the Recruitment and Selection Policy, the Knowledge Management Policy, the Equal Opportunity and Reconciliation Policy and the Occupational Safety and Health Policy, as well as by the Senior Officer Remuneration Policy, which is one of the Corporate Governance and Regulatory Compliance Policies.

In a world in which traditional production assets are ever more accessible, human capital fundamentally determines the difference between competitive companies and those that are not, and between those that sustainably create value and those that gradually lose their capacity to generate wealth.

The design and implementation of frameworks for the management of human resources and labour relations that allows all employees to share in the Group’s success and furthers the objectives of competitiveness and corporate efficiency are believed to be key principles for the conservation of human capital.

The Human Resources Framework Policy must establish the guidelines that govern labour relations at the different companies of the Group and serve as a benchmark to define the objectives of the Company and the Group in human resources management as regards: the selection of its professionals, the assurances and stability of quality employment, the creation of a stable relationship with employees, occupational safety and health, and the training and development of the professionals of the Group.

Human resources management must be informed by respect for diversity, equality of opportunity and non-discrimination, as well as alignment of the interests of professionals with the Group’s strategic objectives.

2. Main Principles of Conduct

In order to achieve the aforementioned objectives, the Group accepts and promotes the following principles that must inform the management of its human capital:

a) An appropriate framework of labour relations and of agreed mechanisms to bring the organisation into line with corporate and social requirements, promoting the objectives of competitiveness and business efficiency.

b) The development of consistent human resources processes that progress in the implementation of the culture of the Company in all countries in which the Group does business, respecting local particularities and the special framework of strengthened autonomy of the listed country subholding companies.

c) The definition as a strategic objective of the conduct of labour relations based on equality of opportunity, particularly between men and women, non-discrimination and respect for diversity. Measures must also be promoted to achieve a favourable environment that facilitates reconciliation of personal and working life, complying with the law applicable in each country and following best international practices.

d) The consolidation of stable and quality jobs.

e) A remuneration system that allows for the attraction and retention of the best professionals and the objectives of which are aligned with those of the Group.

f) Appreciation of the contribution of all professionals to the Group’s creation of value and to its growth.

g) Recognise and value family and personal connections among the professionals of the Group, a necessary consequence of the Group’s strong local roots within the communities in which it has historically done busi-
ness, and establish specific measures ensuring that employees with such connection are not favoured or discriminated against in hiring and promotion processes, nor is there any violation of the principle of equal opportunity.

h) Design of a value offering that favours the selection, hiring and retention of talent, consisting of a competitive remuneration, a working environment based on equality of opportunity, the business enterprise, the balance of personal and professional life, and reconciliation.

i) The process of selecting, hiring and promoting professionals of the companies of the Group shall ensure that all of its professionals are persons who are respectable and appropriate, aligned with the provisions of the Mission, Vision and Values of the Iberdrola group and with the principles contained in the Code of Ethics, assessing their history and rejecting those who lack the required appropriateness due to the background thereof.

3. Instruments

The Company and the Group have the following instruments to achieve these objectives:

a) Human resources policy: this Human Resources Framework Policy, the Recruitment and Selection Policy, the Equal Opportunity and Reconciliation Policy, the Occupational Safety and Health Policy, the Knowledge Management Policy and the Senior Officer Remuneration Policy.

b) The Company’s Human Resources Division, the main objective of which is to give consistency to the guidelines for the management of the Group’s human resources, bearing in mind the different social and labour circumstances of the territories in which it operates, and the human resources divisions at the various companies of the Group, which are responsible for implementing and monitoring human resources policies and strategies.

To meet this objective, the Company’s Human Resources Division may create specialised global committees in areas like the selection and hiring of professionals, training, remuneration systems and social-welfare benefits, which will act in coordination with any local committees that the human resources divisions of the country subholding companies decide to create.

c) Collective bargaining agreements or specific equivalent agreements to govern aspects relating to human resources management, as well as the established specific monitoring mechanisms.

d) Channels for dialogue and communication with employees: mixed subcommittees or committees with employees, labour climate surveys, meetings with the chairman and senior officers, specific meetings, the corporate website and the Group’s various intranets.

e) International mobility programmes that favour the exchange of experiences and knowledge, professional development, the firm establishment of a Group culture and retention of employees, in line with the Group’s Business model.

f) Training programmes that foster the improvement and preservation of intellectual capital and the promotion of employees within the Group.

g) Occupational risk prevention programmes and processes and a global occupational safety and health system based on defined standards applicable to all companies of the Group.

4. Main Principles of Conduct in connection with the Selection and Hiring of Professionals

As further developed in the Recruitment and Selection Policy, the main principles of conduct in connection with selection and hiring are:

a) Develop a programme for standardising the recruitment procedures within the Group.

b) Encourage the access of young people to their first job through scholarship programmes and other agreements.

c) Provide candidates with a competitive offer that favours the recruitment and hiring of the best professionals.

d) The Group’s offer must be based on competitive remuneration, a work environment based on equal opportunity, business enterprise, a balance between personal and professional life, and reconciliation thereof.

e) The Group will promote the hiring of its professionals using stable and permanent contracts.

f) Standardise working conditions and the benefits received by part-time and full-time employees.

g) Endeavour to ensure that selection and hiring processes are objective and impartial, avoiding the participation of the employees with which they are connected in the process of selecting family members of Group professionals or persons with another similar personal connection.
h) Favour the hiring of employees from excluded groups and of persons with different skills.

5. **Main Principles of Conduct in connection with Talent Management and Training**

Talent management is the key aspect to improve the Company's position vis-à-vis its competitors, and its aim must be the definition of a framework to develop a global quality management system, affecting all professionals of the Group.

The basic aspect of global talent management within the Group is training. The main principles of conduct thereof are:

a) Establishment of a conceptual framework that includes all training actions designed to promote the qualification of the workforce, aligning it with a multicultural work environment, permeable to cultural changes, expanding the principles set out in the *Mission, Vision and Values of the Iberdrola group*, creating value for the Group, and promoting the sustainable development of the businesses of the Company.

b) Implementation of training programmes and plans that support advanced professional training for the performance of the job, adjustment of human resources to technological and organisational changes, adjustment of new employees to the requirements of the Group, and greater capacity for professional development.

c) Make training a key element of professional qualifications, and one that provides opportunities for promotion within the Group.

d) Ensure that training programmes include aspects relating to respect for human rights and foster a culture of ethical conduct.

e) Dissemination and sharing of the knowledge existing within the Group, on-going learning and cultural exchange, so as to boost operational efficiency through the appropriate use of intellectual capital, in accordance with the provisions of the *Knowledge Management Policy*.

6. **Evaluations of Performance and Development**

Employee evaluations and communication of the results thereof to those evaluated is an essential aspect of their professional training. The main principles of conduct are:

a) Perform periodic evaluations of the performance of the employees of the Group.

b) Communicate the results thereof to the employees evaluated so as to favour their professional development.

c) In the process of salary evaluation or review, avoid direct participation by professionals who are family members or who have a similar personal connection with the affected employees.

7. **Remuneration System**

The Group considers it a priority for the remuneration system to favour the strengthening of its human capital, as the main factor differentiating it from its competitors. The principles of conduct informing the Group’s remuneration system are:

a) Favour the attraction, hiring and retention of the best professionals.

b) Maintain consistency between with the Group’s strategic positioning and its development, its international and multicultural reality and its objective of excellence.

c) Recognise and reward the dedication, responsibility and performance of all its professionals.

d) Adjust to the various local circumstances in which the different companies of the Group operate.

e) Be at the forefront of the market, consistently with the position achieved by the Company and its Group.

8. **Diversity, Equal Opportunity and Reconciliation**

The *Equal Opportunity and Reconciliation Policy* develops the Group’s objectives and principles on the matter, which may be summarised in the following principles of conduct:

a) Respect diversity, promoting non-discrimination on account of race, colour, age, gender, marital status, ideology, political opinion, nationality, religion, sexual orientation, or any other personal, physical or social condition of its professionals.

b) Develop the principle of equal opportunity, observance of which is one of the basic pillars of professional development, and entails the commitment to provide and show equitable treatment that promotes the personal and professional progress of the workforce, keeping employees with family similar personal connections from holding posts directly reporting –either hierarchically or functionally– to the professionals with which they are connected.
c) Promote effective equality between women and men as regards access to employment, professional training and promotion and working conditions, fostering gender diversity as a manifestation of social and cultural reality.

d) Honour commitments to external institutions, making an effort to honour the commitments assumed in order to obtain and maintain all certifications and awards granted in connection with reconciliation and equality.

e) Implement reconciliation measures that promote respect for the personal and family life of its professionals and facilitate the achievement of an optimal balance between the latter and the work responsibilities of women and men.

9. Global Occupational Safety and Health System

The Occupational Safety and Health Policy is intended to achieve a safe and healthy work environment and reflects the main principles of conduct for Group companies in this area.

Pursuant to the provisions of said Occupational Safety and Health Policy, the Group has a Global Occupational Safety and Health System based on standards that determine the minimum levels applicable to all the companies.

This global system contemplates:

1. The integration of occupational safety and health standards in all stages of the production process, in all work methods and in all decisions, such that officers, technicians, managers and employees assume their responsibilities in the matter.

2. The identification, assessment and effective control of work-related risks.

3. Adjustment of employees to their jobs through health monitoring and training of employees.

4. A mechanism for evaluating occupational safety and health matters in accordance with standards established for the entire Group to identify potential deviations, exchange best practices and establish a global culture of excellence in risk prevention.

The operation of the Global Occupational Safety and Health System is developed in the Global Safety and Health System Manual and in certain global procedures applicable to the entire Group.

In turn, each of the country subholding companies and head of business companies has their own specific manuals and procedures applicable to each of their respective countries and businesses, which reproduce or strengthen the global standards of the Group on safety and health, while heeding the regulatory particularities arising from applicable law and those corresponding to the activities carried out by each business.

10. Work Ethics

The Board of Directors has approved a Code of Ethics that sets forth the principles of conduct required of the various companies of the Group and of all their employees and officers, regardless of their job category, their geographic or functional location, or the company of the Group at which they work.

The Compliance Unit is the body created by the Company’s Board of Directors to disseminate, interpret and inform the appropriate bodies of the degree of compliance with the Code of Ethics.

The compliance divisions of each country subholding or head of business company shall apply the Code of Ethics in their respective areas of conduct.

11. Corporate Volunteering

The companies of the Group shall develop corporate volunteering programmes that promote the participation of the professionals of the Group in volunteer actions to put into practice the provisions of the Mission, Vision and Values of the Iberdrola group as regards improving the quality of life of people, looking after the environment and sustainable development, as well as universal access to energy, including collection campaigns that seek to respond to social needs.

These programmes are intended to:

a) Contribute to social well-being and community service.

b) Strengthen a sense of belonging to the Group and improve the labour climate.

c) Contribute to the ethical training of employees, channelling their spirit of community service to the benefit of the communities in which the Group is present.

d) Promote the values of participation, commitment, responsibility and teamwork.

This Human Resources Framework Policy was initially approved by the Board of Directors on 17 February 2015 and was last amended on 24 April 2018.
Knowledge Management Policy
15 December 2015

The Board of Directors of IBERDROLA, S.A. (the "Company"), aware that intellectual capital is the basic foundation for the creation and protection of the Company’s value, has established as a strategic objective the need to implement an appropriate Knowledge Management Policy that fosters initiatives, procedures, and tools that allow the Company to truly and effectively exploit such intellectual capital.

1. Purpose
The goal of this Knowledge Management Policy is dissemination and sharing of the Company’s existing knowledge, continuous learning, and cultural exchange, so as to enhance operational efficiency through the proper use of intellectual capital, always furthering the interests of the Company and of the companies belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the "Group"), and without prejudice to specific policies that may be established at particular companies of the Group.

In a world where traditional production assets are ever more readily accessible, it is intellectual capital that distinguishes competitive companies from non-competitive ones, and companies that create value in a sustainable manner from companies that gradually lose their ability to generate wealth.

The intellectual capital of the Company depends to a large extent on all of its people, but also depends on its operational and organisational structures and on internal and external relations with all stakeholders. Organisational and personal training must therefore be permanent and ongoing, and must be in line with the strategy of the Group.

The markedly strategic character of the Company’s knowledge management requires constant work in order to improve initiatives and the application thereof at all of the Company’s business units.

2. Main Principles of Conduct
To achieve these goals, the Group accepts and promotes the following main principles that must inform all of its knowledge management activities:

a) Think of the Group as a system made up of connections among people and working groups. The knowledge of each person or group must be identified and accessible to the whole, so as to produce knowledge-based operational leverage.

b) Recognise the value of the knowledge existing at the Group and promote its development as a key value-creation tool.

c) Integrate the Group’s tangible and intangible assets to create the objective conditions required to structure an intelligent organisation, with ongoing learning capacity and of innovation.

d) Align knowledge management with the competences and requirements set out in the Group’s strategy.

e) Define the required models of management, measurement, processes, and systems by integrating the vision of the various business units, in order to understand and develop mechanisms to ease the flow of knowledge within the existing organisational structure. This allows for the sharing of experiences and ensures that constant attention is given to the operation of the organisation as a whole.

f) Foster the sharing of the knowledge existing at the Group to the greatest extent possible, putting in place the necessary resources to enable its development, its internal dissemination through training, and the efficient use thereof. This shared intelligence is creative and innovative, and greater than the mere sum of the individual intellectual capabilities involved. Emphasis will be placed on the creation and enhancement of organisational connections (networks), as well as on the cohesion of teams.

h) Evaluate the intellectual capital existing at the Group in a consistent and sustained manner over time, in order to be able to assess the effectiveness of the initiatives implemented under this Knowledge Management Policy, correct defects, and promote new actions.

i) Implement actions for improvement to bring the Group ever closer to excellence in knowledge management.

j) Respect the intellectual and industrial property rights of third parties in the knowledge management of the Group.

The provisions of this Knowledge Management Policy shall in any case be deemed to be without prejudice to the strengthened autonomy enjoyed by the listed country subholding companies of the Group to determine their own knowledge management strategy, which must be consistent with the principles set forth in this Knowledge Management Policy.

This Knowledge Management Policy was initially approved by the Board of Directors on 16 December 2008 and was last amended on 15 December 2015.
Recruitment and Selection Policy

21 June 2016

The Board of Directors of IBERDROLA, S.A. (the “Company”) assumes that without the support of a skilled, diverse, and motivated workforce, the Company will not be able to achieve its strategic aims or those of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”).

1. Purpose

Recruiting, selecting, and retaining the best talent in compliance with both applicable law and best professional practices is key for the business success of the Group.

2. Main Principles of Conduct

To achieve these goals, the Group accepts and promotes the following basic principles that must inform all recruiting and hiring activities:

a) Develop a programme for standardising the recruitment procedures of the Company, so that they:
   — Respect equal opportunities and promote non-discrimination by reason of race, colour, age, gender, marital status, ideology, political opinion, nationality, religion, or any other personal, physical, or social condition. This will guarantee the ability of the Company to recruit, motivate, and retain the best talent and uphold the ethics and legal principles expected from a trusted employer, consistent and aligned with the values of its customers, shareholders, employees, and community.
   — Include all professionals who have the required competency profile, without exclusions of any kind that could limit the effectiveness of the selection process.
   — Ensure that selection is carried out exclusively on the basis of merit and capability, guaranteeing that all candidates are treated equally throughout the process. The selection processes shall therefore be designed to avoid any kind of discrimination.
   — Enable the identification and assessment of the ideal candidates according to the knowledge, attitudes, abilities, and competences required for the different job positions.
   — Comply with applicable labour laws in each country regarding recruitment and selection.
   — Guarantee absolute confidentiality to all candidates, in accordance with personal data protection laws and regulations.

b) Encourage the access of young people to their first job through scholarship programmes and other agreements.

c) Provide candidates with a competitive offer that favours the recruitment and hiring of the best professionals.

d) The Group’s offer must be based upon competitive remuneration, a work environment based on equal opportunity, business enterprise, a balance between personal and professional life, and reconciliation thereof.

e) The Group will promote the hiring of its professionals using stable and permanent contracts.

f) Standardise working conditions and the benefits received by part-time and full-time employees.

g) Endeavour to ensure that selection and hiring processes are objective and impartial and do not influence the hiring of family members of Group professionals or persons with a similar connection, avoiding the participation of the professionals with which they are connected in their selection process.

h) Favour the hiring of employees from excluded groups and of persons with different skills.

This Recruitment and Selection Policy was initially approved by the Board of Directors on 11 March 2008 and was last amended on 21 June 2016.
Equal Opportunity and Reconciliation Policy
19 July 2016

The Board of Directors of IBERDROLA, S.A. (the “Company”) has established the development of employment relationships based on equal opportunity, non-discrimination, and respect for diversity as a strategic objective. In particular, it regards as part of the essential values of the organisation the achievement of equality between women and men within the Company.

For these purposes, and in accordance with the provisions of the Human Resources Framework Policy, the Board of Directors has approved this Equal Opportunity and Reconciliation Policy.

1. Purpose

This Equal Opportunity and Reconciliation Policy seeks to create a favourable environment that facilitates the reconciliation of personal and working life of the professionals of the Company and of the other companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”) and, in particular, effective equality between women and men, all the foregoing in compliance with the applicable law in each country and following best international practices.

2. Main Principles of Conduct

To achieve the fulfilment of these goals, the Group adopts and promotes the following main principles of conduct:

a) Guarantee the quality of employment, fostering the maintenance of stable and high-quality jobs, with occupational contents that guarantee a continuous improvement in the abilities and skills of professionals.

b) Respect diversity, promoting non-discrimination on account of race, colour, age, gender, marital status, ideology, political opinion, nationality, religion, sexual orientation, or any other personal, physical, or social condition of its professionals.

c) Develop the principle of equal opportunity. This principle, the observance of which is one of the basic pillars of professional development, and entails the commitment to provide and show equitable treatment that promotes the personal and professional progress of the Group’s workforce in the following fields:
   1. Promotion, professional development, and remuneration: value such knowledge and skills as are required to perform a job, through the evaluation of goals and performance.
   2. Hiring: not establish any differences in salary based on personal, physical, or social conditions such as gender, race, marital status, or ideology, political opinions, nationality, religion, or any other personal, physical, or social status.
   3. Recruitment and selection: recruit the best professionals by means of selection based on the merit and abilities of the candidates.
   4. Training: ensure the education and training of all professionals in the knowledge and skills required for the proper performance of their work.
   5. Support for workers with different abilities, promoting their effective employment.
   6. Promotion of transparent communications, encouraging innovation and providing professionals the independence they need in the performance of their duties.

d) Promote effective equality between women and men within the Group as regards access to employment, professional training and promotion, and working conditions, fostering gender diversity as a manifestation of social and cultural reality, and in particular, to:
   1. Reinforce the commitment of the Group to the effective equality of opportunity between women and men, both within the organisation and in society, and raise awareness on this topic in both spheres.
   2. Guarantee women’s professional development within the Group, removing any obstacles that may hamper or limit their professional career.
   3. Analyse affirmative action measures in order to correct inequalities that appear and to promote the access of women to positions of responsibility in areas in which they are underrepresented or not present.
4. Strengthen mechanisms and procedures for selection and professional development that facilitate the presence of suitably qualified women in all areas of the organisation in which they are underrepresented, including the implementation of specific training and professional development monitoring programmes for women.

5. Strive to achieve a balanced representation within the various decision-making bodies and levels, guaranteeing that women participate in all consultative and decision-making areas of the Group on the basis of equality of opportunity.

6. Promote the organisation of working conditions with a gender perspective, allowing for the reconciliation of the personal, working, and family life of the women and men employed by the Group, ensuring the elimination of all gender-based discrimination.

e) Implement reconciliation measures that promote respect for the personal and family life of its professionals and facilitate the achievement of an optimal balance between the latter and the work responsibilities of women and men.

f) Favour the hiring of those suppliers with internal measures on reconciliation and effective equality between men and women for their employees that comply with the provisions of this Equal Opportunity and Reconciliation Policy.

g) Promote programmes of collaboration with educational institutions to encourage the presence of women in careers and training programmes relating to the businesses of the Group in which the presence of women is substantially lower than that of men.

h) Collaborate in the fight against gender violence through the establishment of specific programmes that include measures of protection, support, and information, to accompany and protect the victims of gender violence.

i) Eradicate the use of discriminatory language in any kind of internal or external corporate communication.

This Equal Opportunity and Reconciliation Policy was initially approved by the Board of Directors on 16 December 2008 and was last amended on 19 July 2016.
Occupational Safety and Health Policy

20 October 2015

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with responsibility for formulating the strategy and approving the Corporate Policies of the Company and for organising the internal control systems. It approves this Occupational Safety and Health Policy in the exercise of these responsibilities, aware of the essential importance of all aspects relating to employee health and safety, and in line with the values of the Company and in accordance with the provisions of the Human Resources Framework Policy.

1. Purpose

The purpose of the Occupational Safety and Health Policy is to achieve a safe and healthy work environment both at the Company and at the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as its spheres of influence.

2. Main Principles of Conduct

To achieve this goal, the Group accepts and promotes the following main principles that must inform all of its activities:

a) Respect the basic pillars of the Group’s concept of occupational safety and health:
   1. Quality, productivity, and the profitability of its activities are as important as employee health and safety. All of the foregoing are permanent and basic objectives of the Group.
   2. The safety of employees must always prevail. All accidents must be avoided, and the necessary resources must be allocated for such purpose.
   3. Ongoing improvement in all areas of managing occupational risk prevention is a basic variable for the future of the companies of the Group.

b) Guarantee that all decisions of the Group take into account mandatory compliance with the legal, labour, and technological framework and the internal rules of each company of the Group in the area of occupational risk prevention.

c) Ensure full integration of occupational safety and health principles within the Group’s risk prevention management systems.

d) Develop and implement a global occupational safety and health system for the entire Group based on occupational safety and health standards, which determine the minimum levels, and which ensures harmonisation of the standards applied at all companies of the Group. This global system contemplates:
   1. The integration of occupational safety and health standards in all stages of the production process, in all work methods, and in all decisions, such that officers, technicians, managers, and employees assume their responsibilities in the matter.
   2. The identification, assessment, and effective control of work-related risks.
   3. Adjustment of employees to their jobs through health monitoring and training of employees.
   4. A mechanism for evaluating occupational safety and health in accordance with the standards established for the entire Group to identify potential deviations, exchange best practices, and establish a global culture of excellence in risk prevention.

e) Require that the safety rules established by the Group for contractors be observed and cause them to participate in the preventive culture that has been implemented.

f) Encourage the participation of all employees in the promotion of safety and health, cooperating with the Group to raise safety standards.

g) Promote the Group’s culture of prevention through:
   1. Ongoing training of employees, in order to involve every worker and raise awareness of the impact of their work on the safety of persons, processes, and facilities.
   2. The encouragement of behaviour that respects the safety and health of employees.
   3. The exchange of best practices in the application of defined global occupational safety and health standards, continuously improving them and making them more strict and efficient.
h) Obtain and maintain safety and health certifications in line with the strictest international standards, from the standpoint of ongoing improvement and technological innovation in the overall quality of the production system.

i) Establish close links of cooperation with the various competent government agencies in occupational safety and health matters in order to become a positive benchmark in the field in which the Group undertakes its activities.

This Occupational Safety and Health Policy was initially approved by the Board of Directors on 18 December 2007, and was last amended on 20 October 2015.
Sustainability Policy

26 April 2016

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with responsibility for formulating the strategy and approving the Corporate Policies of the Company and for organising the internal control systems. It approves this Sustainability Policy in the exercise of these responsibilities, aware that the sustainable creation of value is one of the pillars of the Mission, Vision, and Values of the Iberdrola group.

1. Purpose

Fulfilment of the corporate interest, as defined in the By-Laws, requires the assumption of corporate social responsibility policies that favour the “sustainable exploitation of its corporate object”.

According to this mandate and to the provisions of the Mission, Vision, and Values of the Iberdrola group, the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), which conduct their activities primarily in the energy industry, have changed their business model to make it more sustainable, achieving development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The Group desires to continue leading this transformation, for which purpose it must continue working in order to provide energy products that are increasingly competitive, cause the lowest possible environmental impact, and are capable of assuring its customers of reliable supply.

This Sustainability Policy reflects the main principles of conduct regarding sustainability that all companies of the Group must comply with and that are a framework of reference for establishing the goals of sustainable development, as well as certain commitments that affect specific areas of Group activity.

2. Main Principles of Conduct

Based on these considerations, the Group’s commitment to sustainability rests upon the following main principles of conduct:

a) Competitiveness in the energy products supplied, through the achievement of efficiency in energy generation, transmission, and distribution processes such that products can be offered at the best possible price, the use of technologies entailing low operation and maintenance costs, as well as a combination of diversified generation technologies that includes the most competitive energy sources based on weather and market conditions.

b) Safety in the supply of energy products, resorting whenever possible to locally-produced primary energy sources, using renewable energy resources, and ensuring the reliability and availability of generation, transmission, and distribution facilities.

c) Reduction of the environmental impact of all activities carried out by the companies of the Group through lower-emission energy generation, the implementation of biodiversity programmes, operational efficiency - including a sustainable use of natural resources, the prevention of contamination, and the appropriate management of waste generated by the activities carried out. In addition, the Group endeavours to make a rational and sustainable use of water and to manage the risks associated with the scarcity thereof.

d) Creation of value for shareholders, customers, and suppliers, guarding corporate profits as one of the pillars of the future sustainability of the Company and the Group.

e) The impetus of the social dimension of the activities of the Group, beginning with service to the communities in which it does business, bringing energy to the largest number of people possible, promoting universal access to energy supply, paying special attention to customers who are economically disadvantaged or in any other situation of vulnerability, establishing specific procedures of protection and collaborating in providing on-going access to energy and gas supply according to the policies established by the competent government administrations in each case. All of the foregoing is carried out with full respect for human rights in the regions in which the Group does business.
3. Sustainable Management

In further development of the principle regarding safety in the supply of energy products, the Group works to maintain high-quality service in order to ensure the availability of energy, as well as to have in place both a robust transmission and distribution network ready to withstand extraordinary events and the means required to restore service within the shortest possible period.

The Group also fosters a responsible use of energy by supporting energy saving and efficiency measures.

In further development of the principle regarding reduction of environmental impact, the Group particularly strives to make a rational and sustainable use of water and to manage the risks relating to the scarcity thereof.

In further development of the principle regarding the creation of value, the best corporate governance systems available are in operation, including codes of conduct and compliance and risk management codes, designed to guarantee transparency in the provision of information and to preserve the creation of shareholder value.

Moreover, the Group works on achieving excellent management of its relations with customers, offering them energy products tailored to their needs and capturing the opportunities provided by the market.

Finally, the Group does business in close cooperation with the large value chain, responsibly performing its role as a powerful business driver within the energy industry.

In further development of the principle promoting the social dimension of its activities, the Group is engaged in responsible, excellent management of human resources and encourages the formation of teams with a sense of commitment through recognition of the work performed, training in line with the skills of its employees, and the promotion of gender equality in all of its activities.

In addition, the Group contributes to sustainable development through public awareness campaigns for the efficient consumption of its products and services.

Furthermore, the Group assumes a commitment to leadership in the area of sustainable event management, encouraging the contribution of all participants in its value chain.

For this purpose, all activities, products, and services relating to the events organised by the companies of the Group –including their entire management cycle– must be in accordance with the main principles of conduct set forth in the Mission, Vision, and Values of the Iberdrola group and in this Sustainability Policy. In particular, the events of the Group must scrupulously comply with all applicable requirements in each case (especially including laws on safety and health, noise, waste, privacy, and personal data protection), promoting accessibility, inclusion, and non-discrimination in the planning and execution thereof.

To ensure compliance with said goals, the Company has established an Iberdrola Group Events Manual providing the guidelines that must govern all events of the Group.

In addition, in order to achieve the coordinated and sustainable management thereof, each of the corporate and business divisions of the Group shall be responsible for planning the events to be carried out within their respective areas of activity and to report any corporate event to the Corporate Image and Events Division, which, if appropriate, may make specific recommendations relating to the organisation thereof in order to optimise their impact on stakeholders and to rationalise the use of the Group’s resources.

After the conclusion of the event, the responsible division must report to the Corporate Image and Events Division regarding the event in accordance with the parameters specified in the Iberdrola Group Events Manual, identifying and evaluating the significance of the economic, social, and environmental impacts thereof.

In addition, Group companies shall establish sustainable management systems for events whose importance and complexity so require, in which they shall obtain the engagement of all interested parties and shall take into consideration their needs and expectations.

Finally, the companies of the Group, with the collaboration of their suppliers and the other participants in the value chain, shall obtain continuous improvement of the sustainable event management systems and the performance of each of the events organised, promoting their transparency through the establishment of procedures for communication with interested parties.

This Sustainability Policy was initially approved by the Board of Directors on 17 December 2013 and was last amended on 26 April 2016.
Environmental Policy

06 April 2016

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with responsibility for formulating the strategy and approving the Corporate Policies of the Company and for organising the internal control systems. Pursuant to the Mission, Vision, and Values of the Iberdrola group, the Company’s leadership in the development of clean energy and respect for the environment are the pillars of its energy production model and the factor that distinguishes it in its industry as one of the leading companies worldwide. In the exercise of these responsibilities and in order to further develop the Company’s corporate philosophy, the Board of Directors approves this Environmental Policy.

1. Purpose

The Environmental Policy is intended to extend to all stakeholders related to the Company and to the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), its devotion to leadership in the development of clean energy and respect for the environment. In this regard, the Company’s Board of Directors believes the environment to be a central element of the concept of sustainability, and particularly one of the three pillars for reaching a sustainable energy model, together with competitiveness and the safety of supply.

The Company, aware of its potential to contribute to the preservation and protection of the environment, has voluntarily assumed the responsibility to lead the fight against climate change and to preserve biodiversity, in accordance with the provisions of the Policy against Climate Change and the Biodiversity Policy, respectively. The Company also conceives of respect for the environment as one of the corporate values that determines its entire business strategy, as it is key to the configuration of a sustainable energy model, which in the environmental dimension translates into lower emissions and greater efficiency and the production and use of energy, as well as in complying with environmental laws and regulations and the best international practices in this area.

Given all of the above, through a policy of transparent information and a strategy of constant dialogue, the Company responds to the expectations of its stakeholders with respect to the preservation of the environment, ever more stringent regulatory requirements, and constant scrutiny of management by analysts, assessors, and various agents of civil society, in line with the Sustainable Development Goals (2015-2030) recently approved by the United Nations.

2. Scope of Application

This Environmental Policy applies to all companies of the Group, as well as to all investees not belonging to the Group over which the Company has effective control, within the lawfully established limits.

At those companies in which the Company has an interest and to which this policy does not apply, the Company will promote, through its representatives on the boards of directors of such companies, the alignment of their own policies with those of the Company.

This Environmental Policy shall also apply, to the extent relevant, to the contractors acting in the name of the Company, as well as to the joint ventures, temporary joint ventures (uniones temporales de empresas), and other equivalent associations, if the Company assumes the management thereof.

3. Decentralised Environmental Organisation

The management bodies of the various companies making up the Group are responsible for the determination and implementation of the Environmental Policy within the Iberdrola group, in accordance with the corporate and governance structures and the business model of the Group defined in the Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation.

The Company has for such purposes created an organisation that manages the environment in a decentralised manner.

The Board of Directors and the management team of the Company are thus responsible for establishing and supervising the application, respectively, of environmental strategy and organisation at the Group level.
For its part, the Company’s Innovation, Sustainability, and Quality Division, which reports to the Area of the Office of the Chairman, proposes the management models and systems, specifies the environmental guidelines and the goals associated therewith, coordinating all environmental action of the Group. Without prejudice to the foregoing, the Energy Policies and Climate Change Division, which also reports to the Area of the Office of the Chairman, proposes the guidelines relating to the Company’s Policy against Climate Change.

Finally, applying the principle of subsidiarity, specific matters affecting the business that are related to the environment are handled and resolved in each case by the environmental divisions of each business.

4. Environmental Commitments

The development of clean energy, investment in smart grids and other energy efficient technologies, and respect for the environment are the pillars of the Group’s energy production model and distinguish the Company in the energy sector as one of the leading companies worldwide.

The Company considers this environmental dimension as a priority in planning its businesses. This compels it to promote innovation, eco-efficiency, and the gradual reduction of environmental impacts in the activities of the Group, in order for energy to become a sustainable driver of the economy and an ally of balanced development.

Accordingly, aware of the importance of this factor in carrying out its corporate mission for its customers and shareholders and for other significant stakeholders with whom it interacts, the Company and the companies belonging to the Group undertake to promote innovation in this field and eco-efficiency (reduction of the environmental impact per production unit), i.e. to gradually reduce the environmental impacts of their activities, facilities, products, and services, as well as to offer, promote, and investigate eco-efficient solutions within their market, thus harmonizing the conduct of their activities with the legitimate right of current and future generations to enjoy an adequate environment.

Along these lines, the Policy against Climate Change includes a specific goal of gradually reducing the intensity of greenhouse gas emissions.

The Group also optimises the management of water and hazardous and non-hazardous waste through systems that set objectives and goals on, among other aspects, waste reduction, the use of best practices in water usage, and the use of recycled materials.

5. Instruments for the Adoption and Promotion of Environmental Commitments

The environmental commitments of the Group are promoted through:

a) An organizational structure with clearly defined responsibilities in connection with the environment and sustainability in general, which is decentralised and based on the principle of subsidiarity.

b) This Environmental Policy and other specific policies relating to significant specific aspects, such as biodiversity and climate change.

c) The consideration of the environmental variable in risk control and management policies.

d) A global environmental management system, which allows for a reduction in environmental risks, improving the management of resources and optimising investments and costs.

e) The funding of specific budgets.

f) The periodic preparation of specific strategic plans that determine strategic priorities and key matters relating to the environment.

g) The establishment of specific and verifiable environmental goals.

h) Training of and provision of information to officers and employees.

i) Collaboration with suppliers so that respect for the environment is a principle informing the entire value production chain of the Group.

j) Participation in international initiatives, ratings, and indices relating to sustainability and the environment. All of the foregoing such that the various levels of the organisation are aware of the importance of respect for the environment in the planning and subsequent implementation of all the actions of the Company, and that all employees contribute with their daily work to the achievement of the goals set in this field.

6. Main Principles of Environmental Conduct of the Group

To achieve the implementation of these commitments, the Group shall be guided by the following main principles of conduct:
a) Respect applicable environmental laws and regulations in the countries in which it operates and, to the extent possible, anticipate the application of new legal provisions when more stringent, and comply with voluntarily assumed commitments and with international rules of environmental conduct, particularly when they are more ambitious.

b) Know and assess the environmental risk of production facilities on an ongoing basis, and constantly improve and update the mechanisms designed to mitigate or eradicate them.

c) Establish indicators and reporting systems that allow for knowing and objectively comparing the environmental impact of the various activities of the Group, classifying them and allowing for the traceability thereof, in order to be able to use such information efficiently in the decision-making process of the businesses of the Group.

d) Prevent the occurrence of such risks and, if appropriate, mitigate the consequences of such occurrence, including, when deemed appropriate, the provision of financial guarantees.

e) Integrate fully the environmental dimension and respect for the natural environment into the strategy of the Group.

f) Ensure at all times the compatibility of environmental protection, the meeting of social needs in the energy arena, and the sustainable creation of value through innovation and eco-efficiency, contributing to a sustainable and responsible energy model.

g) Consume responsibly, making sustainable use of resources and increasing consumption of renewable resources to the extent possible.

h) Incorporate the environmental dimension into investment decision processes and the planning and carrying out of activities, promoting the consideration thereof in cost-benefit analyses.

i) Establish appropriate management systems, based on a philosophy of ongoing improvement, that help to reduce environmental risk and that include:

1. Ongoing efforts to identify, assess, and reduce the adverse environmental effects of the activities, facilities, products, and services of the Group.

2. Provision of information to and training of employees on the effects of the development of the Group’s processes and products to minimise the detrimental effects of its activities on their health and on the environment.

3. Development of plans and programmes setting objectives and goals and updating of emergency plans that will make it possible to reduce risks, minimise adverse environmental effects, and regularly monitor the progress and effectiveness of the measures applied, fostering the ongoing improvement of the Group’s processes and practices.

4. Carry out monitoring, measurement, and, if appropriate, corrective activities.

5. Performance of internal and external audits.

j) Identify and incorporate available technical improvements for the production and distribution of electric power from a technical financial, environmental, and social standpoint.

k) Respect nature, biodiversity, and the historical and artistic heritage in the natural environment where the Group’s facilities are located.

l) Foster research and development of new technologies and processes that help to address climate change and other environmental challenges with a preventive approach and allow for a more efficient use of natural resources to progress towards a more sustainable energy model, including electric mobility.

m) Promote behaviour of the Group that is in line with the principles of this Environmental Policy, assigning positive value to alignment therewith, particularly in the selection of contractors and suppliers.

n) Establish a constructive dialogue with Government Agencies, regulatory authorities, non-governmental organisations, multilateral agencies, shareholders, customers, local communities, and other stakeholders in order to:

1. Mutually understand the interests and objectives of each of the parties.

2. Work jointly in the search for solutions to environmental problems and dilemmas.

3. Contribute to the development of a useful public policy from the environmental standpoint that is efficient in economic terms.

4. Raise awareness of the importance of taking measures to reduce greenhouse gas emissions.
a) Report transparently on environmental results and actions, establishing the appropriate channels to favour communication with the stakeholders and recognizing both achievements and aspects that need to be improved.

p) Share acquired knowledge with their customers in order to improve their environmental behaviour in connection with energy.

q) Support legal measures, initiatives and innovations focused on permitting greater electrification of consumer uses of the economy, like electric cars and trains, heat pumps, etc. as an effective and efficient vector of the fight against climate change due to the de-carbonisation that they engender.

This Environmental Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 6 April 2016.
Policy Against Climate Change

06 April 2016

The Board of Directors of IBERDROLA, S.A. (the "Company") is vested with responsibility for formulating strategy and approving the Corporate Policies of the Company, and for organising the internal control systems. Pursuant to the provisions of the Mission, Vision, and Values of the Iberdrola group, and aware of its commitment to the environment generally and to the fight against climate change particularly, it approves this Policy against Climate Change.

1. Purpose

Climate change is one of the most important challenges that humanity must face in the 21st century. The use of fossil fuels has caused a considerable increase in greenhouse gas emissions, which have accelerated global warming. The Company and the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the "Group"), recognise the seriousness of the threat that such global warming entails, which must be faced in a collective and coordinated manner by governments, multilateral agencies, the private sector, and society as a whole. Along these lines, the Company commits to assuming a position of leadership in the fight against climate change, to promote a corporate culture focused on promoting awareness-raising among all of its stakeholders regarding the magnitude of this challenge and the benefits associated with resolving it, identifying specific actions in the area of mitigation and adaptation. The Company’s leadership commitment is consistent with the climate goals included in the Paris Climate Conference held in December 2015, with goal thirteen of the Sustainable Development Goals approved by the United Nations in September 2015, and with an ambitious and efficient focus on the process of implementation thereof. The Company thus wishes to contribute actively and decisively to a sustainable and low-carbon future, minimising the environmental impact of all its activities and promoting the adoption of whatever actions are within the Group’s reach for such purpose, an effort that must be compatible with social and economic development through the sustainable generation of employment and wealth. This Policy against Climate Change is formalised to articulate and disseminate the Group’s commitment with regard to climate change.

2. Main Principles of Conduct

In order to implement this commitment, the Company and the rest of the companies belonging to the Group shall be guided by the following main principles of conduct:

a) Prevent pollution by gradually reducing the intensity of greenhouse gas emissions (expressed in grams of CO₂ per kWh generated), in order to place it below one hundred fifty grams of CO₂ per kWh by 2030—which entails a fifty per cent reduction in the intensity of emissions compared to 2007—continuing the development of electric energy from renewable sources, focusing innovation efforts within more efficient technologies having a lower intensity of carbon dioxide emissions, and progressively introducing them in their facilities, until reaching carbon neutrality by the year 2050.

b) Support international negotiation processes and the significant participation of the private sector to comply with goal thirteen of the Sustainable Development Goals approved by the United Nations and the climate goal included in the Paris Climate Conference, and introduce a more ambitious dynamic both as to the implementation thereof and the agreements that hereafter replace them.

c) Maintain global leadership in renewable energy and in investment in and operation of smart grids, which allow for strong integration of such renewable energy, promote the replacement of energy generation systems based on the use of fossil fuels with higher carbon content, and favour the improvement of efficiency in generation, in transmission, and in the final use of energy. This leadership in renewable energy and efficient
technology will allow the Company to strengthen its commitment to the climate goals within a framework of growing electrification of the global energy system.

d) Support legal measures, initiatives and innovations focused on permitting greater electrification of consumer uses of the economy, like electric cars and trains, heat pumps, etc. as an effective and efficient vector of the fight against climate change due to the de-carbonisation that they engender.

e) Advocate an emissions market that generates a strong and sustainable price signal, capable of generating the resources required to equitably finance clean energy projects, both in industrialised countries and in emerging and developing economies.

f) Support a tax system that includes the “polluting party pays” principle as a basic principle and that includes not only the electricity production industry, but principally the transport and construction industries.

g) Have a global environmental management system, which allows for a reduction in environmental risks, improving the management of resources and optimising investments and costs.

h) Actively foment a culture that promotes the efficient and responsible use of energy and encourage the behaviours that favour such responsible use, engaging all stakeholders of the Company for this purpose.

i) Encourage in-house training of the Group’s employees in the fight against climate change and stimulate suppliers to adopt policies consistent with those of the Company in this area.

j) Regularly review the Company’s greenhouse gas emissions inventory.

k) Lead the main international indices on the fight against climate change.

l) Disseminate any results achieved and/or actions performed by the Group regarding the fight against climate change.

This Policy against Climate Change was initially approved by the Board of Directors on 15 December 2009 and was last amended on 6 April 2016.
Biodiversity Policy

06 April 2016

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with responsibility for formulating the strategy and approving the Corporate Policies, and for organising the internal control systems. Pursuant to the provisions of the Mission, Vision, and Values of the Iberdrola group, and aware of its commitment to the environment generally and to the preservation of the biodiversity of the ecosystems, landscapes, and species of the territories in which it does business particularly, it approves this Biodiversity Policy.

1. Biodiversity

Economic and social development is closely linked to the use of natural resources, affecting not only the availability thereof, but also the integrity of ecosystems and the biological diversity thereof. The Company is aware that preservation of the ecosystem is an essential condition for global sustainability, and it is therefore necessary for this development to be fully compatible with the environment.

The scientific community unanimously agrees in noting that there is currently a serious decline in biodiversity as well as a degradation of ecosystems. This loss of biodiversity, a direct consequence of the impact of human activities, is occurring more rapidly and generally, which entails serious environmental, economic, and social risks.

The Company is fully aware of these risks and of its responsibility as a leading company in the energy sector, and works to adopt the measures allowing for the identification and eradication thereof, with a proactive attitude promoting biodiversity that goes beyond strategies of mitigating or containing damages.

Encouragement of economic and social development, respect for the environment, and promotion of biodiversity are paramount corporate values for the Company, informing all of its actions, aligned to comply with Sustainable Development Goal thirteen and fifteen approved by the United Nations (2015-2030). In this regard, this Biodiversity Policy confirms the Companies commitment to sustainable and efficient development, recognising the strategic value represented by the preservation and promotion of biodiversity for all of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”).

2. Purpose

During their respective life cycles, the Group’s businesses cause interactions with various ecosystems, landscapes, and species. The Company therefore commits to promoting the biodiversity of the ecosystems, establishing new projects sustainably, allowing balanced co-existence, and conserving, protecting, and promoting the development and growth of the natural heritage.

The Company also commits to promote a social culture focused on promoting awareness-raising among all of its stakeholders regarding the magnitude of this challenge and the benefits associated with meeting it, identifying specific actions that contribute to the preservation and development of the environment and to the sustainable use of natural resources.

These commitments are assumed and promoted through this Biodiversity Policy, in order for the various levels of the organisation of the Company and the other companies belonging to the Group to progress in developing methods of analysis of effects and actions for the preservation of biodiversity into the planning and subsequent implementation of their activities. Moreover, all the professionals of the Group will contribute in their daily work to the achievement of the targets set in this field.

3. Main Principles of Conduct

To implement its commitment to biodiversity, the Group shall be guided by the following main principles of conduct, which shall be gradually applied in all its activities and businesses:

a) Integrate the preservation of biodiversity into the strategy of the Group, including consideration thereof in decisions on the construction, operation, and decommissioning phases of infrastructure projects, particularly for dams, power lines, and wind farms.
b) Apply a preventive approach to minimise the impacts of new infrastructure on biodiversity, bearing in mind the entire life cycle thereof, for which purpose environmental guidelines shall be prepared for each type of infrastructure project to be carried out by the Group.

c) Incorporate this preventive approach into the environmental and social impact assessments of new infrastructure projects, particularly in natural areas that are sensitive, biologically diverse, or protected.

d) Promote the offset of impacts caused by the Group’s activities and the restoration of natural capital.

For these purposes, the companies of the Group perform the following activities, among others, based on the needs of each project during the construction, operation, and decommissioning phases: monitoring of flora and fauna, especially protected or vulnerable species, silvicultural treatments, and forest restorations with indigenous species.

e) Integrate biodiversity into the Group’s environmental management systems (EMS), setting goals, indicators, and standards for the control, monitoring, and audit thereof.

f) Protecting species and habitats through the application of positive conservation management and investigation of sites in order to obtain a positive net balance with respect to the environment, avoiding the placement of new infrastructure in areas that are protected or that have a high biodiversity value.

g) Report on the biodiversity actions of the Group, the presence of facilities in protected areas, and research, preservation, education, and awareness-raising actions, periodically publishing a biodiversity report.

h) Promoting biodiversity awareness and training for the Group’s own personnel as well as subcontracted personnel and those of its suppliers.

i) Participate in carrying out research, preservation, education, and sensitisation projects, cooperating with government agencies, non-governmental organisations, local communities, and other stakeholders on biodiversity issues.

4. Priority Lines of Action

Biodiversity and ecosystems have a leading role in the business strategy of the Company through four priority lines of actions that develop the principles set out in the preceding section:

a) Promoting the protection, preservation, and sustainable use of the natural environment (air, water, land, fauna—with special emphasis on avifauna, terrestrial fauna, and ichthyofauna-, flora and landscape) through the adoption of specific preventative, mitigating, and compensatory actions intended for prevention or to restore zones that may be affected by the Group’s facilities in the principal countries in which it does business.

b) Evaluation of the impact of new projects on biodiversity, adopting the measures that may be necessary to correct or minimise them, and in any case attempting for the environmental impact to be as low as possible, consulting with various stakeholder groups regarding the project prior to commencement, and incorporating best construction practices, going beyond applicable legal requirements in each case.

For these purposes, the Group encourages the preparation of environmental impact studies prior to commencing new projects, through impact analysis and prevention mechanisms that take into account various alternatives and establish corrective measures to avoid, mitigate, or offset any possible damages.

Furthermore, the monitoring of environmental impacts does not end upon completion of the facility, but rather continues during the operation and decommissioning phases thereof.

c) The engagement of stakeholders through participation in research projects and the promotion of a strategy of ongoing dialogue that allows for identifying and meeting their expectations in terms of biodiversity and taking them into consideration in the process of making decisions in the management of the businesses.

d) Awareness-raising and communication at both the internal and external level with training activities, internal and external education, prizes, publications, and sponsorship activities.

This Biodiversity Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 6 April 2016.
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Introduction to the Governance Rules of the Corporate Decision-Making Bodies and other Internal Committees

1. Pursuant to the provisions of article 8 of its By-Laws, Iberdrola’s Corporate Governance System defines and includes its own internal system, which, in exercising the corporate autonomy supported by law, is established to ensure the best compliance with the social contract that binds its shareholders.

2. The governance rules of the corporate decision-making bodies and other internal committees represent one of the five regulatory foundations or groups making up Iberdrola’s Corporate Governance System. These rules further develop the rules of operation of the principal corporate decision-making bodies of the Company, as the holding company and controlling entity of an international energy production and distribution group, in articulating the provisions of the By-Laws and of the principles set forth in the Mission, Vision and Values of the Iberdrola group.

3. Consistent with its size and international nature, Iberdrola’s group of companies is structured around three different levels: that of the holding company, Iberdrola, S.A.; that of the country subholding companies, established in those countries and businesses in which Iberdrola’s Board of Directors has so decided and for those businesses so justified due to the nature thereof; and thirdly, that of the head of business companies, which handle the day-to-day administration and effective management of each of the businesses in which the Group engages in one or more countries, as well as the day-to-day control thereof.

In turn, three levels of decision-making are differentiated within the holding company: that of the shareholders acting at a General Shareholders’ Meeting, the highest decision-making body, which constitutes the shareholders’ main channel of communication at the Company; that of the Board of Directors, which has the broadest powers and faculties to administer and represent the Company, and particularly to establish and supervise, with the help of its committees, the general development of the strategies, policies and guidelines that must be followed by Iberdrola as holding company and the Group as a whole; and that corresponding to senior management, led by the chairman of the Board of Directors and CEO, who, together with the rest of the management team and with the support of the Operating Committee, assume the duty of strategic organisation and coordination of the Group.

4. Based on these foundations contained in the By-Laws, the governance rules for the corporate decision-making bodies and other internal committees meet the primary goal of regulating the most appropriate levels and most suitable procedures for the proper operation of Iberdrola and its collective decision-making bodies, internal committees and the internal audit function of the Group, defining the creation, composition, organisation, powers and operating guidelines thereof, among other aspects, as well as the rights, duties and obligations of their members.

They are grouped into Book IV of the Corporate Governance System, and currently consist of the following:

i. The Regulations for the General Shareholders’ Meeting.
ii. The Regulations for the Electronic Shareholders’ Forum.
iii. The Regulations of the Board of Directors.
iv. The Directors’ Code of Ethics.
v. The Regulations of the Audit and Risk Supervision Committee.
vi. The Basic Internal Audit Regulations.
vii. The Regulations of the Appointments Committee.
viii. The Regulations of the Remuneration Committee.
ix. The Regulations of the Corporate Social Responsibility Committee.

x. The Internal Rules on Composition and Duties of the Operating Committee.

5. The content of this Book IV of Iberdrola’s Corporate Governance System effectively goes beyond what is customary at listed companies. This Book thus includes the Directors’ Code of Ethics, which contains the principles and duties of this nature that must govern the actions and conduct of those who have this status, and the Basic Internal Audit Regulations, which establish certain common principles of operation for the Internal Audit Area of Iberdrola and the internal audit divisions of the other companies of the Group.

6. Like the rest of the Corporate Governance System, the governance rules of the corporate decision-making bodies and other internal committees bind those acting or relating thereto, to the extent applicable to them.

In Bilbao, on 24 July 2018
The Board of Directors of Iberdrola, S.A.
I. Regulations for the General Shareholders’ Meeting

31 March 2017

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PRELIMINARY TITLE

Article 1. Purpose

1. The Regulations for the General Shareholders’ Meeting (the “Regulations”) contain the principles for conducting the General Shareholders’ Meeting of IBERDROLA, S.A. (the “Company”), as well as the basic rules for the call, preparation, and holding thereof.

2. The Regulations seek to achieve greater transparency, efficiency, and impetus to the functions of deliberation and decision-making by the shareholders at the General Shareholders’ Meeting, to guarantee equal treatment of all shareholders in the same situation with respect to information, participation, and the exercise of voting rights at the General Shareholders’ Meeting, and particularly to promote the maximum participation of the shareholders and their engagement in the life of the Company.

3. The recommendations on good governance generally recognised in the international markets and the best practices regarding the sustainable management of events have been taken into account in the preparation hereof.

Article 2. Scope of Application and Duration

1. The Regulations shall apply to all General Shareholders’ Meetings held by the Company.

2. They shall have indefinite duration and shall become effective upon the first General Shareholders’ Meeting to be called after the meeting at which it is resolved that these Regulations or any subsequent amendments hereof be approved, without prejudice to the rights previously accorded to the shareholders under legal and by-law provisions.

Article 3. Dissemination

These Regulations and any amendments hereto shall be communicated to the National Securities Market Commission (Comisión Nacional del Mercado de Valores) and registered with the Commercial Registry (Registro Mercantil) pursuant to applicable rules and regulations. The current text of these Regulations shall be made available on the Company’s corporate website.

Article 4. Priority and Interpretation

1. These Regulations further develop and complement legal and by-law provisions applicable to the General Shareholders’ Meeting, which shall prevail in the event of contradiction therewith, and shall be interpreted in accordance with the Corporate Governance System of which they form a part.

2. Any questions that may arise in connection with the interpretation or application hereof shall be resolved by the Board of Directors, which shall propose such amendments, if any, as it deems appropriate. Those that might arise during the General Shareholders’ Meeting shall be settled by the chair thereof.

Article 5. Amendment

1. The Board of Directors, and shareholders who individually or collectively represent at least three per cent of the share capital of the Company, shall have the right to propose amendments to the Regulations.

2. The full text of the proposed amendment and a report providing the rationale therefor prepared by the Board of Directors or by the shareholders making the proposal shall be made available to the shareholders at the time of the call to the General Shareholders’ Meeting at which the decision is to be made regarding the aforementioned proposal.


1. In order to promote and facilitate the informed participation of the shareholders, upon the call to the General Shareholders’ Meeting the Board of Directors shall make available thereto a Shareholder’s Guide that clearly explains the most significant aspects regarding the operation thereof and the procedures established for the exercise of their rights at the General Shareholders’ Meeting.

2. The Board of Directors may approve rules of implementation that systematise, adapt, and specify the provisions of the Corporate Governance System regarding the General Shareholders’ Meeting and the rights of the shareholders related thereto, within the framework of the corporate interest.

3. The Board of Directors shall also entrust to the secretary thereof the preparation and ongoing update of a management framework to coordinate and facilitate the monitoring of all activities necessary for the planning, preparation, call, holding, and formalisation of the resolutions at each General Shareholders’ Meeting.
4. Pursuant to the provisions of the Sustainability Policy, the Company shall endeavor to ensure that all actions relating to the organisation of the General Shareholders’ Meeting comply with the best sustainable event management practices.

**TITLE I. FUNCTION, TYPES, AND POWERS**

**Article 7. Function**

1. The General Shareholders’ Meeting is the principal channel for participation of the shareholders within the Company and its sovereign decision-making body, wherein all duly convened shareholders meet to debate and decide by the required majorities those matters within their power, or to be informed of those other matters that the Board of Directors or the shareholders deem appropriate upon the terms provided by law and the Corporate Governance System.

2. Decisions of the shareholders at a General Shareholders’ Meeting bind all shareholders, including shareholders who are absent, vote against, abstain from voting, vote in blank, or lack the right to vote, without prejudice to the rights they may have to challenge such resolutions.

**Article 8. Types**

1. A General Shareholders’ Meeting may be annual or extraordinary.

2. The shareholders acting at an annual General Shareholders’ Meeting, which shall be previously called for such purpose, must meet within the first six months of each financial year in order to approve the corporate management, approve the annual accounts for the prior financial year, and decide upon the allocation of profits or losses from such financial year. Resolutions may also be adopted at the annual General Shareholders’ Meeting regarding any other matter within the power of the shareholders, provided that such matters appear on the agenda of the call to meeting or are legally appropriate and that the required quorum for the General Shareholders’ Meeting has been formed for such purpose.

3. Any General Shareholders’ Meeting not provided for in the preceding section shall be deemed to be an extraordinary General Shareholders’ Meeting.

**Article 9. Powers**

1. The shareholders acting at a General Shareholders’ Meeting shall decide the matters assigned thereto by law, the By-Laws, or these Regulations, and in any case regarding the following:

   A. With respect to the Board of Directors and the directors:
      a) The appointment, re-election, and removal of directors, as well as the ratification of directors designated by interim appointment to fill vacancies.
      b) The approval of the establishment and application of systems for remuneration of the Company’s directors consisting of the delivery of shares or of rights therein or remuneration based on the value of the shares.
      c) Releasing the directors from the prohibitions arising from the duty of loyalty, when authorisation is attributed by law to the shareholders acting at a General Shareholders’ Meeting, as well as from the obligation not to compete with the Company.
      d) The exercise of derivative liability actions against directors.

   B. With respect to the annual accounts and corporate management:
      a) The approval of the individual annual accounts of the Company and of the annual accounts of the Company consolidated with those of its subsidiaries.
      b) The allocation of profits/losses.
      c) The approval of corporate management.

   C. With respect to amendments to the Corporate Governance System:
      a) The amendment of the By-Laws.
      b) The approval and amendment of these Regulations.
      c) The approval of the director remuneration policy upon the terms provided by law.

   D. With respect to an increase or reduction in share capital, acquisition of own shares, and issue of debentures:
      a) An increase or reduction in share capital.
      b) The delegation to the Board of Directors of the power to increase share capital, in which case it may also grant thereto the power to exclude or limit pre-emptive rights, upon the terms established by law.
c) The delegation to the Board of Directors of the power to carry out an increase in increase already approved by the shareholders at a General Shareholders’ Meeting, within the periods set forth by law, indicating the date or dates of execution and establishing the conditions for the increase as to all matters not provided for by the shareholders. In this case, the Board of Directors may make use of such delegation in whole or in part, or may refrain from using it, in view of market conditions or the condition of the Company itself, or of particularly relevant facts or circumstances that justify such decision, and shall report thereon to the shareholders at the first General Shareholders’ Meeting held after the end of the period granted for the use of such delegation.

d) The exclusion or limitation of pre-emptive rights.

e) The authorisation for the derivative acquisition of the Company’s own shares.

f) The issuance of debentures and other negotiable securities and the delegation to the Board of Directors of the power to issue them, as well as the power to exclude or limit pre-emptive rights, upon the terms established by law.

E. With respect to structural changes of the Company and functionally similar operations:

a) The transformation of the Company

b) The merger or split-off of the Company upon the terms provided by law.

c) The overall assignment of assets and liabilities.

d) The transfer of the registered office abroad.

e) The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.

f) The acquisition, transfer, or contribution of key assets from or to another company.

F. With respect to auditors:

a) The appointment, re-election, and removal of the auditors.

b) The exercise of derivative liability actions against the auditors.

G. With respect to the dissolution and liquidation of the Company:

a) The dissolution of the Company.

b) The appointment and removal of the liquidators.

c) The approval of the final liquidating balance sheet.

d) The exercise of derivative liability actions against the liquidators.

e) The approval of transactions having an effect equivalent to liquidation of the Company.

2. The shareholders acting at a General Shareholders’ Meeting shall also decide any other matter submitted to them by the Board of Directors or by the shareholders in the instances provided by law or that is within their power pursuant to law or the Corporate Governance System.

3. The shareholders acting at a General Shareholders’ Meeting shall also decide, by way of a consultative vote, on the annual director remuneration report, and may also make a pronouncement on any other reports or proposals submitted by the Board of Directors.

TITLE II. CALL TO THE GENERAL SHAREHOLDERS’ MEETING

Article 10. Call to the General Shareholders’ Meeting

1. The General Shareholders’ Meeting shall be formally called by the Board of Directors.

2. The Board of Directors must call the General Shareholders’ Meeting in the following events:

   a) In the event set forth in article 8.2 above.

   b) If the meeting is requested, in the manner provided by law, by shareholders who individually or collectively represent at least three per cent of the share capital, which request sets forth the matters to be addressed. In this event, the Board of Directors shall call for the General Shareholders’ Meeting to be held within the statutorily prescribed deadline. The Board of Directors shall prepare the agenda of the call to meeting, which must include the matters specified in the request.

3. The Board of Directors may request the presence of a notary public to assist with and draw up the minutes of the General Shareholders’ Meeting. In any event, the Board must request the presence of a notary public under the circumstances provided by law.
Article 11. Announcement of the Call to Meeting and Agenda

1. The announcement of the call to meeting shall be published as much in advance as required by law, using at least the following media:
   a) The Official Gazette of the Commercial Registry (Boletín Oficial del Registro Mercantil) or one of the more widely circulated newspapers in Spain.
   b) The website of the National Securities Market Commission.
   c) The Company’s corporate website.

2. The announcement of the call to meeting must contain all statements required by law in each case and must set forth:
   a) The day, place, and time of the meeting upon first call and the agenda, with a statement of all matters to be dealt with.
   b) A clear and specific description of the procedures and periods that the shareholders must observe in order to request the publication of a supplement to the call to the Annual General Shareholders’ Meeting, to submit well-founded proposed resolutions, or to exercise their rights to receive information, to cast an absentee vote, and to grant a proxy, upon the terms provided by law.
   c) The date on which the holders of the Company’s shares must have them registered in their name in the corresponding book-entry register to be able to attend and vote at the General Shareholders’ Meeting being called.
   d) A statement of where and how the complete text of the documents to be submitted at the General Shareholders’ Meeting can be obtained, particularly including the reports of the directors, of the auditors, and of the independent experts to be submitted and the complete text of the proposed resolutions submitted to the shareholders for approval at the General Shareholders’ Meeting.
   e) The address of the Company’s corporate website.
   f) The attendance bonus that the Board of Directors may resolve to pay to shareholders attending the General Shareholders’ Meeting in accordance with the policy approved for such purpose.

The announcement may also set forth the date on which the General Shareholders’ Meeting shall proceed upon second call, if applicable.

3. The shareholders at the General Shareholders’ Meeting may not deliberate on or decide matters that are not included in the agenda of the call to meeting, unless otherwise provided by law.

Article 12. Supplement to the Call to Meeting and Submission of Well-founded Proposed Resolutions

1. Shareholders who individually or collectively represent at least three per cent of the share capital may:
   a) Request the publication of a supplement to the call to the Annual General Shareholders’ Meeting including one or more items in the agenda of the call to meeting, so long as the new items are accompanied by a rationale or, if applicable, by a duly substantiated proposed resolution.
   b) Submit well-founded proposed resolutions regarding matters already included or that should be included in the agenda of the call to the General Shareholders’ Meeting.

The written notice of the exercise of such rights shall specify the name or the corporate name of the requesting shareholder or shareholders, and there shall be attached thereto such documentation as evidences the status thereof as shareholder, in order for such information to be checked against that provided by “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR), as well as the contents of the item or items proposed. Under the circumstances set forth in letter a), the Board of Directors may require that the shareholder also attach the proposed resolution or resolutions and, if legally required, in the instances set forth in letters a) and b), the report or reports providing a rationale for the proposals.

2. The shareholders’ rights mentioned in the preceding section must be exercised by duly authenticated notice sent to the Company’s registered office within the periods provided by law.

3. The Company shall publicise the items on the agenda and/or the proposed resolutions submitted in accordance with the preceding sections as soon as possible, within the legally mandated periods, and shall publish a new form of attendance, proxy, and absentee voting card that takes them into account. The Company shall also ensure the dissemination of these proposed resolutions and any documentation attached thereto to the other shareholders, in accordance with the provisions of law.
4. At the time of the call to meeting, the Board of Directors shall make available to the shareholders all information additional to that required by law that it deems appropriate and that contributes to a better understanding by shareholders with respect to the exercise of their rights in connection with the General Shareholders’ Meeting and of the matters to be dealt with thereat.

**Article 13. Availability of Information**

1. The Company shall endeavour to encourage the use of the most environmentally-friendly channels of information, prioritising the use of digital media whenever the law so allows.

2. When the shareholders are to deal with an amendment to the By-Laws, besides the statements required by law in each case, the announcement of the call to meeting must make clear the right of all shareholders to examine at the Company’s registered office the complete text of the proposed amendment and the report thereon and to request that such documents be delivered or sent to them without charge.

3. In all cases in which the law so requires, such information and additional documentation as is mandatory shall be made available to the shareholders.

**Article 14. Corporate Website**

1. The Company shall use its corporate website to promote the informed participation of all shareholders in the General Shareholders’ Meeting and to facilitate the exercise of their rights related thereto.

2. From the date of publication of the announcement of the call to meeting through the date of holding of the General Shareholders’ Meeting in question, the Company shall continuously publish on its corporate website in electronic format and in an organised and environmentally-friendly manner, such information as is required by law or deemed appropriate to facilitate and promote the attendance and participation of the shareholders at the General Shareholders’ Meeting, including in any case the following:
   a) The announcement of the call to the General Shareholders’ Meeting.
   b) The total number of shares and voting rights existing on the date of the announcement of the call to meeting, broken down by classes of shares, if any.
   c) Such documents relating to the General Shareholders’ Meeting as are required by law, including the reports of the directors, the auditors, and the independent experts that are expected to be submitted, proposed resolutions submitted by the Board of Directors or by the shareholders, and any other relevant information that the shareholders might need in order to cast their vote.
   d) In the event that the shareholders acting at a General Shareholders’ Meeting must deliberate on the appointment, re-election, or ratification of directors, the corresponding proposed resolution shall be accompanied by the following information: professional profile and biographical data of the director; other boards of directors on which the director holds office, at listed companies or otherwise; type of director such person is or should be, with mention, in the case of proprietary directors, of the shareholder that proposes or proposed the appointment thereof or who the director represents or with which the director maintains ties; date of the director’s first and any subsequent appointments as director of the Company; shares of the Company and derivative financial instruments whose underlying assets are shares of the Company of which such director is the holder; the report prepared by the Board of Directors and the proposal of the Appointments Committee in the case of independent directors, and the report of such Committee in other cases.
   e) The existing channels of communication between the Company and the shareholders and, in particular, explanations pertinent to the exercise of the right to receive information, indicating the postal and e-mail addresses to which the shareholders may direct their requests.
   f) The means and procedures for granting a proxy to attend the General Shareholders’ Meeting and for casting absentee votes, including the form of attendance, proxy, and absentee voting card, if any.

3. Furthermore, after the publication of the announcement of the call to the Ordinary General Shareholders’ Meeting, the Company shall publish the following documentation on its corporate website:
   a) The integrated report, the sustainability report and any other reports determined by the Board of Directors.
   b) The report on the independence of the auditor prepared by the Audit and Risk Supervision Committee.
   c) The related-party transactions report prepared by the Appointments Committee.
   d) The activities report of the Board of Directors and of the committees thereof.
4. The Company shall use its best efforts to include in its corporate website, beginning on the date of the announcement of the call to meeting, an English version of the information and the principal documents related to the General Shareholders’ Meeting. In the event of a discrepancy between the Spanish and English versions, the former shall prevail.

5. Pursuant to the provisions of applicable legislation, an Electronic Shareholders’ Forum shall be enabled on the Company’s corporate website on occasion of the call to the General Shareholders’ Meeting. Duly verified shareholders and shareholder groups may access the Electronic Shareholders’ Forum, the use of which shall conform to its legal purpose and to the assurances and rules of operation established by the Company.

Article 15. Requests for Information Prior to the General Shareholders’ Meeting

1. From the date of publication of the call to the General Shareholders’ Meeting through and including the fifth day prior to the date provided for the first call to meeting, the shareholders may request in writing the information or clarifications that they deem are required or ask written questions that they deem pertinent regarding (i) the matters contained in the agenda for the meeting; (ii) information accessible to the public that has been provided by the Company to the National Securities Market Commission since the holding of the last General Shareholders’ Meeting; and (iii) the audit report.

2. All such requests for information or questions may be made or asked by delivery of the request to the Company’s registered office, or by delivery to the Company via mail or other means of electronic or long-distance data transmission sent to the address specified in the announcement of the call to meeting or, in the absence thereof, to the Office of the Shareholder (Oficina del Accionista). Requests shall be allowed that include the recognised electronic signature of the requesting party, the personal passwords referred to in letter c of article 19.2 below, or that use other mechanisms that the Board of Directors deems sufficient to ensure the authenticity and identity of the shareholder, after an express resolution adopted for such purpose.

3. Regardless of the means used, the request must include the shareholder’s first and last names or company name, with evidence of the shares owned, in order for this information to be checked against the list of shareholders and the number of shares in the shareholders’ name provided by “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) for the General Shareholders’ Meeting in question. The shareholder shall be responsible for showing delivery of the request to the Company as and when due.

4. The Board of Directors shall be required to provide the information requested pursuant to the two preceding paragraphs in the form and within the periods set forth in the law, in the By-Laws, and in these Regulations, except in cases in which it is unnecessary for the protection of shareholder rights, there are objective reasons to believe that it might be used for ultra vires purposes, or that publication of the information might prejudice the Company or related companies.

5. The information requested may not be denied if it is supported by shareholders representing at least twenty-five per cent of the share capital.

6. The Board of Directors may authorise any of its members, its secretary, its deputy secretary or deputy secretaries, or any other person it deems appropriate, in order for any of them to respond on behalf of the Board of Directors to shareholder requests for information.

7. To ensure the equal treatment of all shareholders, valid requests for information, clarification, or requests made in writing by the shareholders and the answers provided in the same form by the Board of Directors or the persons delegated thereby shall be included in the corporate website of the Company.

8. If, prior to the presentation of a specific question, the information requested is clearly, expressly, and directly available to all shareholders on the corporate website in question/answer format, the answer may consist of a reference to the information provided in such format.

TITLE III. RIGHTS TO ATTEND AND TO PROXY REPRESENTATION

Article 16. Participation

The Board of Directors shall adopt appropriate measures to encourage maximum participation of the shareholders at the General Shareholders’ Meeting, including the ability to deliver promotional material or gifts with symbolic value to the shareholders participating in the General Shareholders’ Meeting or in the holding of similar promotions. Any items remaining from the promotions shall be used for social welfare purposes.
Article 17. Attendance
1. All holders of at least one voting share may attend the General Shareholders’ Meeting and take part in deliberations thereof, with the right to be heard and to vote.
2. In order to exercise the right to attend, shareholders must cause the shares to be registered in their name in the corresponding book-entry register at least five days prior to the day on which the General Shareholders’ Meeting is to be held. This circumstance must be evidenced with the appropriate attendance, proxy, and absentee voting card, validation certificate, or other valid form of verification, which will be required at each General Shareholders’ Meeting based on the systems available to verify the status of the attendees.

Article 18. Other Attendees
1. The members of the Board of Directors must attend the General Shareholders’ Meeting. The absence of any of them shall not affect the validity thereof.
2. The chair of the General Shareholders’ Meeting may authorise the meeting to be attended by officers, employees, and other person with an interest in the orderly conduct of corporate matters, as well as by the media, financial analysts, and any other person the chair deems appropriate. The shareholders acting at the General Shareholders’ Meeting may revoke such authorisation.
3. Personnel from the Office of the Shareholder and the person performing the duties described in article 27.3 below shall also attend the General Shareholders’ Meeting.

Article 19. Right to Proxy Representation
1. Shareholders may exercise the right to attend personally or through proxy representation by another person, whether or not such person is a shareholder, by complying with the requirements of law and the Corporate Governance System.
2. The proxy may be granted by delivering to the proxy representative the attendance, proxy, and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company, or by any of the following means:
   a) Advance delivery of the attendance, proxy, and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company at the premises provided by the Company on the days announced on the Company’s corporate website.
   b) Sending the attendance, proxy, and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company by postal correspondence addressed to the Company.
   c) By electronic correspondence, completing the proxy form available on the Company’s corporate website, using a recognised electronic signature of the shareholder or other type of guarantee that the Company deems proper to ensure the authenticity and identification of the shareholder granting the proxy. For these purposes, the use of the personal passwords that the Company has previously delivered to the shareholder by postal or electronic correspondence to the address that the shareholder has communicated to the Company shall be deemed to be a proper assurance.
   d) By any other means that the Board of Directors determines is appropriate to favour the participation of the largest possible number of shareholders, provided that notice thereof is provided on the corporate website at the time of publishing the announcement of the call to meeting, and the authenticity and identification of the shareholder granting the proxy is duly ensured.
3. A proxy granted by any of the means indicated in the preceding section must be received by the Company before 24:00 on the day immediately prior to the day on which the General Shareholders’ Meeting is held upon first call or upon second call, as applicable.
4. The Board of Directors is authorised to further develop the foregoing provisions by establishing rules, means, and procedures adjusted to current techniques in order to organise the granting of proxies by electronic means, in each case in accordance with the rules and regulations issued for such purpose. Specifically, the Board of Directors may establish rules for the use of personal passwords and other guarantees other than electronic signatures for the granting of proxies by electronic correspondence, reduce the advance period established above for receipt by the Company of proxies granted by postal or electronic correspondence, and accept, and authorise the chair of and the secretary for the General Shareholders’ Meeting or the persons acting by delegation therefrom to accept, any proxies received after such period, to the extent allowed by the means available.
5. The chairman and the secretary of the Board of Directors or the chair of and the secretary for the General Shareholders’ Meeting, from the constitution thereof, and the persons acting by delegation from either of them, shall have the broadest powers for verifying the identity of the shareholders and their representatives, verifying the ownership and status of their rights, and recognising the validity of the attendance, proxy, and absentee voting card or the instrument or means evidencing attendance or representation by proxy.

6. A proxy is always revocable. Attendance by the shareholder granting the proxy at the General Shareholders’ Meeting, whether in person or due to having cast an absentee vote on a date subsequent to that of the proxy, shall have the effect of revoking the proxy.

7. A public solicitation for proxies by the Board of Directors or any of its members shall be governed by the provisions of law and by the corresponding resolution of the Board of Directors, if any.

8. A proxy may cover those matters that the law allows to be dealt with at the General Shareholders’ Meeting even when not included in the agenda.

9. If the proxy has been validly granted pursuant to law and these Regulations but does not include voting instructions or if questions arise as to the intended proxy-holder or the scope of the representation, and unless otherwise indicated by the shareholder, it shall be deemed that the proxy: (i) is granted in favour of the chairman of the Board of Directors; (ii) refers to all of the items included in the agenda of the call to meeting; (iii) contains the instruction to vote favourably on all proposals made by the Board of Directors with respect to the items on the agenda of the call to meeting; and (iv) extends to matters that, although not included in the agenda of the call to meeting, may be dealt with at the General Shareholders’ Meeting in accordance with law, in respect of which the proxy-holder shall vote in the direction the proxy-holder deems most favourable to the interests of the shareholder granting the proxy, within the framework of corporate interest. This provision may be further developed by any rules approved by the Board of Directors that systematise, further develop, adapt, and specify the provisions of the Corporate Governance System regarding the management of the General Shareholders’ Meeting.

10. Before being appointed, the proxy-holder shall provide detailed information to the shareholder regarding the existence of any conflict of interest. If the conflict is subsequent to the appointment and the shareholder granting the proxy has not been advised of the possible existence of such conflict, the proxy-holder shall immediately inform the shareholder thereof. In both cases, if the proxy-holder has not received new specific voting instructions regarding each of the matters on which the proxy-holder has to vote on behalf of the shareholder, the proxy-holder shall abstain from voting, without prejudice to the provisions of the following section.

11. Unless otherwise expressly indicated by the shareholder, if the proxy-holder is affected by a conflict of interest and has no specific voting instructions, or if the proxy-holder has them but it is deemed preferable that the proxy-holder not exercise the proxy with respect to the items involved in the conflict of interest, the shareholder shall be deemed to have appointed the following persons as proxy-holders for such items, severally and successively, in the event that any of them is in turn affected by a conflict of interest: first, the chair of the General Shareholders’ Meeting, second, the secretary therefor, and finally, the deputy secretary of the Board of Directors, if any. In this latter event, if there are several deputy secretaries, the order to be used shall be the order established at the time of their appointment (first deputy secretary, second deputy secretary, etc.). The proxy representative so designated shall cast the vote in the direction deemed most favourable to the interests of the person represented thereby, within the framework of the corporate interest.

12. A proxy representative may hold the proxy of more than one shareholder without limitation as to the number of shareholders being represented, and exercise the corresponding voting rights pursuant to the provisions of article 40.3 below.

Article 20. Attendance, Proxy, and Absentee Voting Cards

1. The Company may issue the attendance, proxy, and absentee voting cards for the participation of the shareholders at the General Shareholders’ Meeting, and also propose to the entities members of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) and to the intermediary and management institutions and depositaries in general, the form of such cards as well as the formula that must be recited in order to delegate proxy representation, which, in the absence of specific instructions from the party granting the proxy, may also set forth the way for the proxy-holder to vote with respect to each of the resolutions proposed by the Board of Directors in connection with each item on
the agenda of the call to meeting. The attendance, proxy, and absentee voting card may also specify the identity of the proxy-holder and the alternate or alternates for the proxy-holder in the event of a conflict of interest, in the absence of express appointment by the shareholder being represented. The Company shall ensure that the cards issued by such institutions are uniform and include a bar code or other system that allows for the reading thereof by electronic or long-distance data transmission means in order to facilitate the computerised calculation of shares represented in person and by proxy at the General Shareholders’ Meeting.

2. The proxy or voting instructions of the shareholders acting through intermediary and management institutions or depositaries may be received by the Company through any valid system or means of long-distance communication, signed by the shareholder or by the institution. The institutions may group together instructions received from shareholders and send them in a block to the Company, indicating the direction of such instructions.

3. If an intermediary or management institution or depositary sends to the Company an attendance, proxy, and absentee voting card or verification instrument of a shareholder duly identified in the document with the signature, stamp, and/or mechanical impression of the institution, and unless the shareholder expressly indicates otherwise, it shall be deemed that the shareholder has instructed such institution to exercise the proxy or voting right, as applicable, in the direction indicated in such card or instrument evidencing the proxy or vote. If there are questions regarding such instructions, it shall be deemed that the shareholder grants the proxy to the chairman of the Board of Directors with the scope set forth in these Regulations and that the shareholder gives specific instructions to vote in favour of the proposals made by the Board of Directors in connection with the items on the agenda of the call to meeting.

4. In other respects, the other rules contained in the Corporate Governance System and those established by the Board of Directors in order to further develop such rules shall apply to the proxies and absentee votes referred to in this article.

5. All of the foregoing shall be without prejudice to the regulations applicable to the relations between financial intermediaries and their customers for purposes of the exercise of the rights to grant a proxy and to vote.

**Title IV. Infrastructure and Equipment**

**Article 21. Place of the Meeting**

1. The General Shareholders’ Meeting shall be held at the place indicated in the call to meeting within the municipal territory of Bilbao. If no place is indicated in the call, it shall be deemed that the meeting will take place at the registered office.

2. The General Shareholders’ Meeting may be attended by going to the place where the meeting is held or, if so indicated in the call to meeting, to other places provided for such purpose by the Company and that are connected with the principal meeting place by systems that allow recognition and identification of the parties attending, permanent communication among the attendees regardless of their location, and participation and voting, all in real time. Attendees at any of such places shall be considered to be attendees at the same individual meeting, which shall be deemed to have been held at the principal location thereof.

**Article 22. Infrastructure, Means of Communication, and Services Available at the Premises**

1. The premises to be used to hold the General Shareholders’ Meeting shall have the personnel, technical equipment, and safety, assistance, and emergency measures commensurate with the nature and location of the property and with the importance of the event. In addition, the premises for holding the General Shareholders’ Meeting shall have the emergency and evacuation measures required by law, as well other measures deemed appropriate in light of the circumstances.

2. The Company may make available other furnished premises with similar characteristics where the General Shareholders' Meeting can be held in the event of an emergency.

3. Appropriate controls and surveillance and protection measures, as well as systems for controlling access to the meeting, shall be established in order to ensure the safety of the attendees and the orderly conduct of the General Shareholders’ Meeting.

4. Once the General Shareholders’ Meeting has commenced, the attendees are prohibited from using voice amplification instruments, mobile phones, photographic equipment, audio and/or video recording, and/
or transmission equipment and, in general any instrument that might alter the visibility, sound, or lighting conditions of the proceedings, except to the extent authorised by the chair thereof.

5. The proceedings of the General Shareholders’ Meeting shall be the subject of audiovisual recording, unless the chair of the General Shareholders’ Meeting decides otherwise. They may also be the subject of storage and live or recorded broadcast by any means, including over the internet, and dissemination on social media. Entering the premises where the General Shareholders’ Meeting is to be held signifies the consent of the shareholders, their proxy representatives, and other attendees to the capture of their image (including voice) and the processing of their personal data. The owner of the data shall have the rights of access, rectification, objection, or erasure of the data collected by the Company, upon the terms provided by law, by sending a letter to the Company at its registered office.

6. Whenever reasonably possible, the Company shall endeavour to ensure that the premises at which the General Shareholders’ Meeting is held has the means to allow access by persons with reduced mobility and the simultaneous interpretation of the proceedings into Euskera (Basque), English, and those other languages that the Board of Directors deems appropriate. The Company shall also establish measures that facilitate participation in the General Shareholders’ Meeting by attendees with auditory or visual limitations.

7. The Company shall also make available to the shareholders any additional information that facilitates following the General Shareholders’ Meeting, such as programmes for the meeting or any other documentation deemed useful for such purpose.

Article 23. Computer System for the Recording of Proxies and Voting Instructions, Preparation of the List of Attendees, and Calculation of Voting Results

1. The Company shall have the personnel and technical equipment required to perform monitoring and counting of the attendance, proxy, and absentee voting cards.

2. On the day of the General Shareholders’ Meeting, the premises indicated for the meeting shall be supplied with the personnel and technical equipment required to monitor the entry of those attending the meeting and to determine the quorum, prepare the list of shareholders present in person and by proxy, and calculate the voting.

3. In order to undertake such activity, the Company may, in accordance with applicable rules and regulations, ask “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) to provide a list of the Company’s shareholders and the number of shares appearing in the name of each shareholder.

Article 24. Office of the Shareholder

The Company shall set up an Office of the Shareholder in a visible place at the stated premises of the General Shareholders’ Meeting, in order to:

a) Answer questions regarding the proceedings raised by the attendees prior to the commencement of the meeting, without prejudice to the rights of the shareholders under legal and by-law provisions to take the floor, make proposals, and vote.

b) Assist and inform attendees who wish to take the floor, preparing for such purpose a list of those who previously state their desire to participate, as well as collecting the text of their statements, if such statements are available in writing.

c) Provide to the attendees who so request the full text of the resolutions proposed by the Board of Directors or shareholders for submission at the General Shareholders’ Meeting regarding each item on the agenda of the call to meeting. Excepted from the foregoing are those proposals that have been prepared immediately prior to the holding of the General Shareholders’ Meeting and that for such reason cannot be delivered in written form to all attendees. Copies of the directors’ reports and other documentation relating to the proposed resolutions shall also be made available to them.

TITLE V. CONDUCT OF THE GENERAL SHAREHOLDERS’ MEETING

Article 25. Opening of the Premises and Monitoring Access Thereto

1. In the place and on the day provided in the announcement for the holding of the General Shareholders’ Meeting on first or second call, and beginning one hour prior to the time announced for the commencement of the meeting (unless otherwise specified in the announcement of the call to meeting), the shareholders or
their proxy representatives must present their respective verification documents to the personnel in charge of the registration of attendees.

Once registration has closed, shareholders or proxy representatives arriving late at the place where the General Shareholders’ Meeting is held may attend the meeting as invitees (in the room where the meeting is held or, if so decided by the chair of the General Shareholders’ Meeting, in an adjoining room from where they can follow the meeting).

2. In the event that a second call is made due to the failure to attend of the number of shareholders legally required to hold the General Shareholders’ Meeting upon first call, such circumstance shall be properly recorded in the minutes of the General Shareholders’ Meeting.

Article 26. Presiding Committee, Chair, and Secretary
1. The Presiding Committee (Mesa) of the General Shareholders’ Meeting shall be made up of the chair of and the secretary for the General Shareholders’ Meeting and of the other members of the Board of Directors attending the meeting. Without prejudice to the powers assigned thereto in these Regulations, the Presiding Committee shall assist the chair of the General Shareholders’ Meeting in performing the duties entrusted thereto.

2. The chairman of the Board of Directors, or, in the absence thereof, the vice-chair of the Board of Directors, shall act as chair of the General Shareholders’ Meeting; if there are several vice-chairs of the Board of Directors, they shall act in the order set forth in the By-Laws; and in the absence of the foregoing, the person appointed by the Presiding Committee shall serve.

3. The chair of the General Shareholders’ Meeting shall be assisted by the secretary for the General Shareholders’ Meeting. The secretary of the Board of Directors or, in the absence thereof, the deputy secretary of the Board of Directors, shall act as secretary for the General Shareholders’ Meeting; if there are several deputy secretaries, they shall serve in the order established at the time of their appointment (first deputy secretary, second deputy secretary, etc.). In the absence of the foregoing, the person appointed by the Presiding Committee shall serve as secretary for the General Shareholders’ Meeting.

4. If the chair or the secretary, in each case, must remove themselves for any reason during the holding of the meeting, the provisions of sections 2 and 3 above shall also apply as regards their situation in the performance of their duties.

5. In addition, the chair of the General Shareholders’ Meeting may obtain the assistance of any person the chair deems appropriate.

Article 27. Duties of the Chair of the General Shareholders’ Meeting
1. The chair of the General Shareholders’ Meeting, who is responsible for progress of the meeting, shall generally have the powers needed for such purposes (including those of order and discipline), and the following powers, among others:
   a) To call the meeting to order.
   b) To verify that there is a valid quorum for the General Shareholders’ Meeting and, if applicable, to declare it to be validly in session.
   c) To take notice of the presence of a notary public, if any, to prepare the minutes of the meeting as a result of a request made by the Board of Directors for such purpose.
   d) To make decisions regarding questions, requests for clarification, or claims raised with respect to the list of attendees, the identity and the legitimacy of the shareholders and their proxy representatives, the authenticity and integrity of the attendance, proxy, and absentee voting cards or relevant verification instruments, as well as all matters relating to the possible exclusion, suspension, or limitation of voting and related rights and, specifically, to the right to vote pursuant to law and the By-Laws.
   e) To grant the floor to executive directors or officers that the chair deems appropriate in order to address the shareholders at the General Shareholders’ Meeting in order to report on the progress of the Company, as well as to present the results, goals, and plans thereof. If the chair of the General Shareholders’ Meeting has the status of executive director, such presentation may be made directly thereby, in whole or in part.
   f) To order and direct the progress of the meeting in accordance with the powers set forth in article 36 below. To indicate the time for voting, establish voting systems and procedures, and determine the system for counting and calculating the votes.
g) To temporarily suspend the General Shareholders’ Meeting and propose the continuation thereof.

h) To bring the meeting to a close.

2. The chair of the General Shareholders’ Meeting may entrust the management of the debate to a director the chair deems appropriate, or to the secretary for the General Shareholders’ Meeting, who shall carry out these duties on behalf of the chair, with the chair having the right to retake them at any time.

3. The chair of the General Shareholders’ Meeting may appoint a representative of the Company to make an organised presentation to the General Shareholders’ Meeting on those questions or considerations that the Company’s shareholders –even if they are not in attendance or represented by proxy at the General Shareholders’ Meeting– have submitted to the Company through other channels of participation and that the chair of the General Shareholders’ Meeting deems appropriate to present.

Such representative may also present other questions raised by those attending the General Shareholders’ Meeting who prefer to ask their questions for delivery to the chair.

Article 28. Duties of the Secretary for the General Shareholders’ Meeting

1. The secretary for the General Shareholders’ Meeting shall assist the chair generally and shall perform the following duties in particular:

a) To declare the Presiding Committee to be formed.

b) To prepare, by delegation from the chair, the list of attendees, for which purpose the secretary shall have such means and systems as are determined by the chair.

c) By delegation from the chair, to report to the shareholders at the General Shareholders’ Meeting regarding the quorum, stating the number of shareholders present in person or by proxy, with an indication of the percentage of share capital they represent as well as the number of shares represented in person and by proxy, also with the foregoing specification.

d) To report on those matters that the Board of Directors must report to the shareholders at the General Shareholders’ Meeting pursuant to law or the Corporate Governance System.

e) To draft the minutes of the General Shareholders’ Meeting, if applicable.

f) To exercise, at the direction of the chair of the General Shareholders’ Meeting, such powers of order and discipline as are necessary for the appropriate conduct of the meeting and the adoption and formalisation of resolutions.

Article 29. Establishment of a Quorum

1. The General Shareholders’ Meeting shall be validly established with the minimum quorum required by law or the By-Laws, taking into account the matters appearing on the agenda of the call to meeting and whether the meeting is held upon first or second call.

2. Shareholders representing at least two-thirds of subscribed share capital with voting rights must be in attendance at the first call to the General Shareholders’ Meeting, and shareholders representing at least sixty per cent of such share capital must be in attendance at the second call, in order to adopt resolutions regarding a change in the object of the Company, transformation, total split-off, dissolution of the Company, and the amendment of article 21.2 of the By-Laws.

3. The absence of shareholders occurring once a quorum for the General Shareholders’ Meeting has been established shall not affect the validity of the meeting.

4. If the attendance of shareholders representing a particular minimum percentage of share capital or the consent of specific interested shareholders is required pursuant to law or the Corporate Governance System in order to validly adopt a resolution regarding one or more items on the agenda of the call to meeting, and such percentage is not reached or such shareholders are not present in person or by proxy at the time of formation of the quorum for the General Shareholders’ Meeting, the shareholders thereat shall limit themselves to deliberating on those items on the agenda that do not require such percentage of share capital or the consent of such shareholders.

Article 30. List of Attendees

1. Prior to beginning with the agenda for the meeting, the secretary shall prepare a list of attendees, which shall specify those attending as shareholders and those attending as proxy-holders, as well as the number of their own or other shares with which each one is attending. At the end of the list, there shall be a determination of the number of shareholders present in person or by proxy, as well as the amount of capital they own, with a specification as to which capital corresponds to shareholders with the right to vote. The list of
attendees shall include as present those shareholders who have cast absentee votes pursuant to the provisions of the Corporate Governance System.

2. The list of attendees shall be contained in electronic media, the sealed cover of which shall show the appropriate identification procedure signed by the secretary for the General Shareholders’ Meeting with the approval of the chair.

3. If the meeting takes place in different places pursuant to the provisions of these Regulations, the list of attendees shall also include the share capital represented in person or by proxy in each room. In such case, absentee votes shall be included in the room where the Presiding Committee is located.

4. The list of attendees shall be attached to the minutes of the General Shareholders’ Meeting.

**Article 31. Shareholder Presentation Requests. Identification**

Shareholders desiring to address the General Shareholders’ Meeting must so request the Office of the Shareholder or to whomever is indicated for such purposes prior to the commencement of the meeting and state for the record their first and last names and, if applicable, the name of the corporate shareholder they represent, as well as the number of shares they own and/or represent.

**Article 32. Reports**

1. Once the list of attendees has been prepared and they have been informed regarding the publications of the announcement of the call to meeting, there shall be a presentation of any relevant reports by the executive directors or senior officers or persons designated for such purpose by the Board of Directors. In particular, the shareholders shall be informed of the main aspects highlighted in the Annual Corporate Governance Report regarding corporate governance, emphasising the changes that have occurred since the last General Shareholders’ Meeting and any non-compliance with corporate governance recommendations that the Company has described in said report.

2. If the annual accounts have qualifications, the Board of Directors may resolve that the chair of the Audit and Risk Supervision Committee and the Company’s auditor explain them to the shareholders at the General Shareholders’ Meeting.

**Article 33. Ratification, if Appropriate, of the Quorum for the General Shareholders’ Meeting**

1. Prior to the commencement of the presentation period, the chair of the General Shareholders’ Meeting or the secretary by delegation therefrom, shall read the information contained in the list of attendees, detailing the number of shareholders present in person and by proxy, the number of shares represented in person and by proxy, with an indication of the percentage of share capital that both represent, and the total number of shareholders and shares in attendance at the meeting, with an indication of the share capital that such shares represent.

2. Once this information has been publicly announced, the chair of the General Shareholders’ Meeting shall, if appropriate, declare the existence of a proper and sufficient quorum on first or second call, as the case may be, and shall decide if the shareholders can debate and adopt resolutions regarding all matters contained in the agenda or if, on the contrary, debate must be limited to only some of them.

3. If appropriate, the chair of the General Shareholders’ Meeting shall announce the presence of a notary public at the meeting and shall identify such notary public, taking notice of the request to prepare the minutes of the meeting.

4. If a notary public has been requested to prepare the minutes of the meeting, the notary public shall ask the shareholders at the General Shareholders’ Meeting and make clear in the minutes whether there are reservations or objections regarding the statements of the chair of or the secretary for the General Shareholders’ Meeting in connection with the number of shareholders in attendance and the share capital represented in person and by proxy.

**Article 34. Shareholder Presentation Period**

1. Presentations by the shareholders or their proxy representatives shall occur in the order in which they are called by the secretary. No shareholder or proxy-holder may make a presentation without having been granted the floor or in order to deal with matters that are not included in the agenda of the call to meeting, unless otherwise provided by law.

2. Shareholders or their proxy representatives must make reasonable use of their presentation right with respect to both the duration thereof, which shall be a maximum of five minutes, without prejudice to the chair’s powers to limit or extend such time, as well as the content thereof, which must conform to the provisions of
the preceding section and to the respect deserved by the proceedings and the other attendees. If the num­
ber of presentations requested or other circumstances so advise, the chair of the General Shareholders’
Meeting may set a maximum period less than that mentioned above, giving due regard in each case to the
principles of equal treatment and non-discrimination among the presenting shareholders.

3. At the time of registration, those shareholders or their proxy representatives who so desire may deliver the
text of their presentation to the Office of the Shareholder in order to obtain a photocopy and thus facilitate
the meeting proceedings and the preparation of the minutes. This shall be required if there is a request for
their presentation to be recorded verbatim in the minutes. In this case, the Office of the Shareholder shall
deliver the text to the secretary or to the notary public, if any, in order for it to be compared with the share­
holder’s presentation.

4. In addition, during the shareholder presentation period, the representative of the Company appointed by
the chair of the General Shareholders’ Meeting may make an organised presentation on those questions or
considerations that the shareholders have submitted to the Company through other channels of participa
tion and such other questions as are raised by attendees at the General Shareholders’ Meeting who prefer
to ask their questions for delivery to the chair.

Article 35. Right to Receive Information during the General Shareholders’ Meeting
1. During the presentation period, shareholders or their proxy representatives may verbally request informa­
tion or clarifications that they deem are necessary regarding the matters contained in the agenda of the
call to meeting, information accessible to the public that has been provided by the Company to the National
Securities Market Commission since the holding of the last General Shareholders’ Meeting, and regarding
the audit report. They must have previously identified themselves for this purpose in accordance with the
provisions of article 31 above.

2. The Company shall provide the information requested pursuant to the preceding section in the form and
within the periods provided by law, except as provided by section 4 of article 15 above and without prejudice
to the provisions of section 5 thereof.

3. The information or clarifications requested shall be provided by the chair or by any other person designated
thereby.

4. If it is not possible to respond to the request for information, clarification, or question during the proceed­
ings, the response shall be sent in writing within the next seven days.

5. A violation of the right to receive information provided for in this article shall only entitle the shareholder to
demand compliance with the obligation to provide information and the damages caused thereto, but shall
not be grounds for challenging the General Shareholders’ Meeting.

Article 36. Order of Shareholder Presentations, Requests, and Proposals
1. The powers to make presentations and requests for information shall only be exercised once. During the
presentation period, the presenting party may make proposals regarding any item on the agenda of the
call to meeting, except in those cases in which they should have been available to the shareholders at the
registered office at the time of publication of the call to meeting or the supplement to the call to meeting, if
any, they are excluded by law, or they breach the rights of other shareholders. They may also propose the
adoption of resolutions regarding which, pursuant to law, the shareholders at the General Shareholders’
Meeting may deliberate and decide upon without such resolutions appearing on the agenda of the call to
meeting.

2. In the exercise of the chair’s powers to ensure the orderly conduct of the meeting, and without prejudice to
other action that may be taken, the chair of the General Shareholders’ Meeting may:
   a) Extend the time initially allocated to each presenting party, when the chair deems it appropriate.
   b) Decide the order in which answers will be provided and whether such answers will be given following
each presentation or collectively and, if appropriate, in summarised form after the last presentation.
   c) End the shareholder presentation period.
   d) Request the presenting parties to clarify issues that have not been understood or that have not been
   sufficiently explained during the presentation.
   e) Call the presenting parties to order so that they limit their presentation to business properly before the
   General Shareholders’ Meeting and refrain from making improper statements or exercising their right of
   presentation in an abusive or obstructionist manner.
f) Announce to the presenting parties that the time for their presentations will soon be ending so that they may adjust their use of the floor and, when the time granted for their presentation has ended, or if they persist in the conduct described in the preceding subsection, withdraw the floor therefrom.

g) Deny the floor when the chair believes that a particular matter has been sufficiently debated, is not included in the agenda, or hinders the progress of the meeting, as well as reject a reply of the presenting shareholder.

3. The chair of the General Shareholders’ Meeting shall endeavour to maintain order in the room in order to allow the presenting parties to make their presentations without undue interruption. If the chair believes that the presentation or the conduct of an attendee might alter the proper order and normal conduct of the meeting, the chair may ask them to leave the premises and adopt any appropriate measures in order for this provision to be complied with.

4. The chair of the General Shareholders’ Meeting shall have the broadest powers to allow, apply the legally appropriate procedures to, or reject the proposals made by the presenting parties during their presentation on any matter included in the agenda of the call to meeting or on those matters that may be debated and decided at the General Shareholders’ Meeting without such matters appearing on the agenda for the meeting, in light of compliance in each case with the requirements of applicable laws and regulations. In voting on the proposals allowed pursuant to this section, the procedure established in letter b) of article 40.2 of these Regulations shall apply, without prejudice to the chair’s ability to decide on the use of other procedures or alternative voting systems.

Article 37. Temporary Suspension

1. In exceptional cases, when there are incidents that temporarily prevent the normal progress of the meeting, the chair of the General Shareholders’ Meeting may resolve to suspend the session for the time the chair deems appropriate in order to re-establish the conditions needed for the continuation thereof. The chair may adopt such additional measures as the chair deems appropriate to ensure the safety of the attendees and to avoid the repetition of circumstances that might again affect the proper conduct of the meeting.

2. Once the meeting has resumed, if the situation that gave rise to the suspension persists, the chair shall consult with the Presiding Committee in order for the shareholders to approve a continuation of the meeting on the next day. In the event the continuation is not approved, the chair shall immediately adjourn the meeting.

Article 38. Continuation

1. Upon good reason for doing so, the shareholders acting at the General Shareholders’ Meeting may approve a continuation of the meeting over one or more consecutive days, at the proposal of the chair, of the majority of the directors attending the meeting, or of a number of shareholders representing at least twenty-five per cent of the share capital present. The General Shareholders’ Meeting shall be deemed to be a single meeting, and a single set of minutes shall be prepared for all of the sessions.

2. Once the continuation of the General Shareholders’ Meeting has been approved, there shall be no need to repeat compliance with the provisions of law or the Corporate Governance System in subsequent sessions for them to be validly held. The quorum needed to adopt resolutions shall be determined based on the results of the initial list of attendees, even if one or more of the shareholders included therein do not attend subsequent meetings, without prejudice to the provisions of article 41.3.

TITLE VI. VOTING AND ADOPTION OF RESOLUTIONS

Article 39. Absentee Voting; Powers to Engage in Proxy-Granting and Absentee Voting

1. Shareholders may cast their vote regarding proposals relating to the items included in the agenda of the call to meeting by means of postal or electronic correspondence, as well as by any other means of long-distance communication, provided that they adequately guarantee the authenticity and identification of the voting shareholders and, if applicable, duly ensure the security of the electronic communications. In all such cases, they shall be deemed to be present for purposes of the establishment of a quorum at the General Shareholders’ Meeting.

2. In order to vote by postal correspondence, shareholders must send to the Company the attendance, proxy, and absentee voting card issued in their favour by the corresponding institution, setting forth thereon the direction of their vote, their abstention, or their blank vote, and the direction of the vote in these cases.
3. Votes by electronic correspondence shall be cast using a recognised electronic signature or using the personal passwords referred to in letter c of article 19.2 above or other type of guarantee that the Board of Directors deems best ensures the authenticity and identification of the voting shareholder.

4. Votes cast by any of the means set forth in the preceding sections must be received by the Company before 24:00 on the day immediately prior to the day set for the holding of the General Shareholders’ Meeting upon first call or upon second call, as applicable.

5. The absentee voting referred to in this article shall be rendered void:
   a) By subsequent express revocation made by the same means used to cast the vote and within the period established for such voting.
   b) By attendance at the meeting of the shareholder casting the vote.
   c) If the shareholder validly grants a proxy within the established period after the date of casting the absentee vote.

6. If no express instructions are included when casting the absentee vote, or if instructions are included only with respect to some of the items on the agenda of the call to meeting, and unless expressly indicated otherwise by the shareholder, it shall be deemed that the absentee vote refers to all of the items included in the agenda of the call to the General Shareholders’ Meeting and that the vote is in favour of the proposals made by the Board of Directors regarding the items included in the agenda of the call to meeting with respect to which no express instructions are included.

7. As regards proposed resolutions other than those submitted by the Board of Directors or regarding items not included in the agenda of the call to meeting, the shareholder casting an absentee vote may grant proxy representation through any of the means contemplated in these Regulations, in which case the rules established for such purpose shall apply to the proxy, which shall be deemed granted to the chairman of the Board of Directors unless expressly indicated otherwise by the shareholder.

8. The Board of Directors is authorised to develop the appropriate rules, means, and procedures to organise the casting of votes and the granting of proxies by electronic means.

Specifically, the Board of Directors may establish rules for the use of personal passwords and other guarantees other than electronic signatures for casting electronic votes or by other valid means of long-distance communication and to grant proxies by electronic correspondence. It may also reduce the advance period established in section 4 above for receipt by the Company of absentee votes and proxies granted by postal or electronic correspondence, and accept, and authorise the chair of and the secretary for the General Shareholders’ Meeting and the persons acting by delegation therefrom to accept, absentee votes and proxies received after such period, to the extent permitted by the means available.

The Board of Directors is also authorised to further develop the procedures for granting proxies and for absentee voting in general, including the rules of priority and conflict applicable thereto. The implementing rules adopted by the Board of Directors under the provisions of this section shall be published on the Company’s corporate website.

The chairman and the secretary of the Board of Directors or the chair of and the secretary for the General Shareholders’ Meeting, from the constitution thereof, and the persons acting by delegation therefrom, shall have the broadest powers to verify the identity of the shareholders and their representatives; check the legitimacy of the exercise of the rights of attendance, proxy-granting, and voting by the shareholders and their representatives; check and accept the validity and effectiveness of the proxies and absentee votes (particularly the attendance, proxy, and absentee voting card or verification document or instrument for attendance or proxy granting), as well as the validity and effectiveness of the instructions received through intermediary and management institutions or depositaries of shares, all in accordance with the provisions set forth in the Company’s Corporate Governance System and in the rules that the Board of Directors may establish in order to further develop such provisions.

**Article 40. Voting on Proposed Resolutions**

1. Once the shareholder presentations have ended and responses have been given to requests for information pursuant to the provisions of these Regulations, the proposed resolutions regarding matters included in the agenda of the call to meeting and any others that, pursuant to law, may be submitted to a vote even though not appearing thereon, including any proposals made by the shareholders during the meeting that are appropriate under the law and the Corporate Governance System, shall be submitted to a vote.
The Board of Directors shall make separate proposals for resolutions in connection with matters that are substantially independent of one another. In any event, the following must be voted on separately, even if appearing within the same item on the agenda: (i) the appointment, ratification, re-election, or removal of each director, (ii) in the amendment of the By-Laws, that of each article or autonomous group of articles, and (iii) those matters for which this is provided in the Corporate Governance System.

The adoption of resolutions shall proceed following the agenda set forth in the call to meeting. Resolutions proposed by the Board of Directors shall be first submitted to a vote and then, if appropriate, resolutions proposed by other proponents and those relating to matters that the shareholders at the General Shareholders’ Meeting can decide upon without appearing on the agenda shall be voted, with the chair of the General Shareholders’ Meeting deciding upon the order in which they shall be submitted to a vote. Unless the chair of the General Shareholders’ Meeting decides to proceed otherwise, once a proposed resolution has been adopted, all others relating to the same matter and that are incompatible therewith shall be withdrawn and therefore not be voted upon.

2. As a general rule, and without prejudice to the powers of the chair of the General Shareholders’ Meeting to use other procedures and alternative systems, for purposes of voting on the proposed resolutions, the direction of the votes of the shareholders shall be determined as follows:
   a) In the case of proposed resolutions relating to matters included in the agenda of the call to meeting, votes corresponding to all shares present in person and by proxy, less the votes corresponding to: shares whose holders or representatives state that they vote against, in blank, or abstain, stating so for the record to the notary public or the assistants thereto (or, in the absence thereof, to the secretary for the General Shareholders’ Meeting) for note thereof to be taken in the minutes of the meeting shares whose holders have voted against, in blank, or have expressly stated that they abstain through the means of communication referred to in these Regulations; and shares whose holders or representatives have left the meeting prior to the voting on the proposed resolution in question and have recorded their withdrawal with the notary public or assistants thereto (or, in the absence thereof, with the secretary for the General Shareholders’ Meeting), shall be deemed votes in favour.
   b) In the case of proposed resolutions relating to matters not included in the agenda of the call to meeting, votes corresponding to all shares present in person and by proxy, less the votes corresponding to: shares whose holders or representatives state that they vote in favour, in blank, or abstain, by communicating or expressing their vote or abstention to the notary public (or, in the absence thereof, the secretary for the General Shareholders’ Meeting) or the assistants thereto, for note thereof to be taken in the minutes; shares whose holders have voted in favour, in blank, or have expressly stated that they abstain through the means of communication referred to in these Regulations; and shares whose holders or representatives have left the meeting prior to the voting on the proposed resolution in question and have had the notary public or assistants thereto (or, in the absence thereof, the secretary for the General Shareholders’ Meeting) record their withdrawal from the meeting, shall be deemed to be votes against.

3. If a proxy-holder represents several shareholders, the proxy-holder may cast votes in different directions based on the instructions given by each shareholder.

4. Furthermore, so long as the required guarantees of transparency and certainty are provided in the opinion of the Board of Directors, a vote may be divided in order for financial intermediaries who are recorded as having shareholder status but act for the account of different clients to be able to divide their votes and cast them in different directions in accordance with the instructions given by such clients.

**Article 41. Approval of Resolutions and Announcement of Voting Results**

1. The shareholders acting at a General Shareholders’ Meeting shall adopt resolutions with the majorities required by law or the By-Laws. Each voting share, whether represented in person or by proxy at the General Shareholders’ Meeting, shall grant the holder the right to one vote, without prejudice to the limitations on the maximum number of votes that may be cast by a shareholder, the conflicts of interest provided for in article 28 of the By-Laws, other instances in which the By-Laws provide for the suspension of voting rights, or the restrictions established by law.

2. Except in cases in which the law or the By-Laws require a greater majority, the shareholders acting at a General Shareholders’ Meeting shall adopt resolutions by simple majority of the shareholders present in person or by proxy, with a resolution being deemed adopted when it receives more votes in favour than against.
For purposes of determining the number of shares upon which the majority needed to adopt the various resolutions shall be calculated, all shares appearing on the list of attendees shall be deemed to be in attendance, present, or represented at the meeting, less: shares whose owners or representatives have left the meeting prior to the voting on the proposed resolution in question and have recorded their withdrawal with the notary public or assistants thereto (or, in the absence thereof, with the secretary for the General Shareholders’ Meeting); and shares which, by application of the provisions of law or the By-Laws, are totally or partially deprived of the right to vote in general, or on the particular resolution in question, or shares in respect of which the exercise of the right to vote has been suspended for the holders thereof.

3. Once the chair of the General Shareholders’ Meeting, at the time of voting, finds the existence of a sufficient number of votes in favour or against all or some of the proposed resolutions, the chair may declare them to be approved or rejected by the shareholders at the General Shareholders’ Meeting, without prejudice to the statements that the shareholders or their proxy representatives may desire to make to the notary public or to the assistants thereto or, if applicable, to the secretary for the General Shareholders’ Meeting, regarding the direction of their vote for recording in the minutes of the meeting.

4. Without prejudice to the provisions of the preceding section, for each resolution submitted to a vote at the General Shareholders’ Meeting, there must be a determination of at least the number of shares for which valid votes have been cast, the proportion of share capital represented by such votes, the total number of valid votes cast, the number of votes in favour and against each resolution, and the number of abstentions and votes in blank, if any.

**TITLE VII. CLOSURE AND MINUTES OF THE MEETING**

**Article 42. Closure**

Once the voting on the proposed resolutions has been completed and the results have been announced by the chair of the General Shareholders’ Meeting, the General Shareholders’ Meeting shall end and the chair thereof shall bring the meeting to a close, adjourning the session.

**Article 43. Minutes**

1. The minutes of the meeting may be approved by the shareholders at the end of the General Shareholders’ Meeting, and otherwise within a period of fifteen days by the chair of the General Shareholders’ Meeting and two inspectors, one on behalf of the majority and the other on behalf of the minority.

2. Once the minutes are approved, they shall be signed by the secretary for the General Shareholders’ Meeting, with the approval of the chair. In the event the aforementioned persons are unable to do so for any reason, they shall be replaced by the persons established by law or the By-Laws.

3. In the event that a notary public takes part in the General Shareholders’ Meeting, the notarial minutes shall be deemed the minutes of the General Shareholders’ Meeting and shall not require approval.

**TITLE VIII. SUBSEQUENT ACTS**

**Article 44. Publication of Resolutions**

1. Without prejudice to registration of recordable resolutions at the Commercial Registry or to applicable legal provisions regarding the publication of corporate resolutions, the Company shall communicate to the National Securities Market Commission, by means of a notice of significant event (hecho relevante), the literal text or a summary of the contents of the resolutions approved at the General Shareholders’ Meeting.

2. The text of the resolutions adopted and the voting results shall be published in full on the Company’s corporate website within five days of the end of the General Shareholders’ Meeting.

3. Furthermore, at the request of any shareholder or their representative at the General Shareholders’ Meeting, the secretary of the Board of Directors shall issue a certification of the resolutions or of the minutes.
II. Regulations for the Electronic Shareholders’ Forum

22 November 2011

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Article 1. Introduction
Pursuant to the provisions of Section 539.2 of the restated text of the Companies Law (Ley de Sociedades de Capital), IBERDROLA, S.A. (the “Company”) approves these Regulations for the Electronic Shareholders’ Forum (the “Regulations”), which form part of its Corporate Governance System, governing the Company’s Electronic Shareholders’ Forum (the “Forum”) that will be made available on the Company’s corporate website on occasion of the call to and until the holding of each General Shareholders’ Meeting.

Article 2. Purpose of the Regulations
1. These Regulations govern how the Company will enable and make the Forum available, as well as the guarantees, terms and conditions for access thereto and use thereof by the Company’s shareholders and by any voluntary associations that may be formed pursuant to applicable law.
2. As regards the Forum, these Regulations supplement the legal terms and conditions for access and use of the Company’s corporate website, which shall fully apply to access to and use of the Forum as to all matters not otherwise amended by or inconsistent with the provisions of these Regulations.
3. The Company reserves the right to modify the layout, configuration, operation and contents of the Forum, as well as the terms and conditions for use thereof and these Regulations, at any time and without prior notice, without prejudice to the provisions of applicable legal provisions, particularly to Section 539 of the restated text of the Companies Law.

Article 3. Acceptance of the Rules of the Forum
Registration as a user of the Forum (“Registered User”) and access thereto and/or use thereof entail full and unreserved acceptance of the terms and conditions set forth in these Regulations and in the version of the legal terms and conditions for access and use of the Company’s corporate website that may be in effect from time to time.

Article 4. Objective and Purpose of the Forum
1. The Forum is made available in order to facilitate communication among the Company’s shareholders on occasion of the call to and until the holding of each General Shareholders’ Meeting.
2. Registered Users may send communications for posting in the Forum, containing exclusively:
   a) Proposals sought to be submitted as a supplement to the agenda included in the call to the General Shareholders’ Meeting.
   b) Requests for adherence to such proposals.
   c) Initiatives to reach the percentage required to exercise a minority right as contemplated by law or in the Company’s Corporate Governance System.
   d) Voluntary proxy offers or solicitations.
3. The “Corporate Governance” section of the Company’s corporate website publishes the announcement of the call to meeting, which includes the agenda for each General Shareholders’ Meeting and contains a description of the rights and duties of the Company’s shareholders and of the conditions for exercise thereof, without prejudice to the provisions of applicable law at any time.

Article 5. Registered Users
1. Access to and use of the Forum is reserved exclusively to individual shareholders of the Company, and to voluntary associations of shareholders validly established and registered in the special registry created for such purpose at the National Securities Market Commission (Comisión Nacional del Mercado de Valores) pursuant to Section 539.2 of the restated text of the Companies Law and regulations thereunder.
2. In order to access and use the Forum, such shareholders and voluntary associations of shareholders must log on as a “Registered User” by filling out the corresponding form to log on as a Registered User of the Forum, providing evidence of their status as a shareholder of the Company or of a voluntary association of shareholders duly established and registered with the National Securities Market Commission, in the manner set forth in such form. In the case of shareholders that are legal entities and of voluntary associations of shareholders, evidence of the representative authority of the person wishing to access the Forum shall be provided in the form established for such purpose.
3. A special use form may be required to be filled out for subsequent access to and communications with the Forum.
4. Access to and use of the Forum by Registered Users are subject to at all times maintaining status as a shareholder of the Company, or as a voluntary association of shareholders duly established and registered, pursuant to applicable regulations.

5. In the event that the Company, in its capacity as administrator of the Forum, has reasonable doubts at any time regarding compliance with such condition by any Registered User, it may request such User to provide evidence that such status is maintained as well as any information or documents deemed appropriate for verification of the circumstances set forth herein.

6. The Company may request additional information from, suspend or exclude Registered Users that do not provide evidence of compliance with such conditions to its satisfaction.

7. All communications sent by shareholders or voluntary associations that cease to have such status prior to the holding of the corresponding General Shareholders' Meeting shall automatically lapse, as shall all communications relating thereto or connected therewith.

Article 6. Access to and Use of the Forum

1. Access to the Forum
All Registered Users may access the Forum and view the communications posted by other Registered Users. The Forum is only intended to publish the communications posted by Registered Users in connection with the matters set forth in Article 4.2 of these Regulations and does not constitute a device for electronic conversation among Registered Users or a meeting point for virtual debate. Therefore, the Company shall only include in the Forum such communications as are admissible under the law and pursuant to the Company's Corporate Governance System, such that no other comments regarding such communications shall be posted in the Forum.

2. Posting of communications in the Forum
All registered Users may send communications regarding any of the matters set forth in Article 4 above, which shall be posted in the Forum by the Company in accordance with the technical procedures in place from time to time. The content of the communications shall only be in text form and, once posted, such communications shall be available for access by any other Registered User. All communications by Registered Users shall be deemed made as an expression of their personal opinions and, except for the case of shareholders that are legal entities and associations of shareholders authorized for such purpose under the law and these Regulations, no communications shall be posted which are received from representatives of shareholders, shareholders’ pools and agreements, depositary entities, financial brokers or other persons acting for the account or benefit of the shareholders.
Requests for the posting of communications must be made by filling out the forms available in the Forum for such purpose, which shall include:

a) Identification of the Registered User sending the communication.

b) Statement of the communication, with a clear description of the content of the initiative.

c) Brief rationale for the communication.

All communications posted in the Forum shall include the identification data of the Registered User sending it (first and last name, in the case of individuals; corporate name, in the case of legal entities; and corporate name and registration number in the registry maintained by the National Securities Market Commission, in the case of associations of shareholders, as well as, in the last two cases, the identification data of their respective representatives). The date and time of posting shall also be indicated.
Upon sending a communication, the Registered User responsible therefor is deemed to represent and warrant that the content thereof is lawful and in accordance with the provisions of law and of these Regulations and with the requirements of good faith, that such Registered User has obtained all approvals and permits required to send the communication in question, and that such communication does not violate any third-party rights. The Company shall have the right to verify that any communications sought to be posted comply with legal provisions, these Regulations and the requirements of good faith and may deny inclusion in or remove from the Forum any communication that it deems to be inconsistent therewith.

3. Content of communications
Any use of the Forum by Registered Users shall fully comply with applicable legal provisions, shall be consistent with the purpose of the Forum as set forth in Article 4 above and shall fulfill the requirements of good faith. In this regard, it is expressly forbidden:
a) To make an attack on the rights, property and lawful interests of the Company, of other Registered Users and of third parties and, specifically, on their intellectual and industrial property rights, freedom of religion, reputation, good name, privacy, the protection of personal data or any other property, rights or interests afforded protection by law.

b) To introduce third-party personal information or data without the informed consent of the owner thereof or to assume the identity of another.

c) To insert contents or expressions that are discriminatory, racist, sexist, violent, xenophobic or otherwise offensive or degrading.

d) To insert any kind of materials which are inappropriate or contrary to the requirements of good faith.

e) To provide information of any kind intended to be used for the commission of criminal, civil or administrative wrongs.

f) To carry out activities of any kind (or provide information to third parties) serving to circumvent technical restrictions built into the media or programs of the Forum in order to avoid any unauthorized use.

g) To include contents or materials without the requisite approval of the respective holders of intellectual and industrial rights therein.

h) To damage, disable, overload, or impair the operation of the Forum or the computer equipment of the Company, of other Registered Users or of third parties, as well as the documents, files and contents of any kind stored on such computer equipment (hacking), or to prevent the normal use and enjoyment of the Forum by other Registered Users.

The insertion of any kind of publicity or advertisement by Registered Users is absolutely forbidden.

Any Registered User that becomes aware that any contents included in or provided through the Forum are contrary to the provisions laid down in these Regulations or to the requirements of good faith may give notice thereof to the Company through the Shareholders’ Ethics Mailbox.

Registered Users undertake to use the Forum diligently, properly and in compliance with applicable law, these Regulations and the requirements of good faith, consistently with the purpose of the Forum as set forth in Article 4 above.

4. Removal of communications after the General Shareholders’ Meeting

Once a General Shareholders’ Meeting has ended, the Company reserves the right to remove and delete all communications relating thereto.

Article 7. Scope of the Forum

1. The Forum is not a channel of communication between the Company and Registered Users.

2. Therefore, no communication sent to or posted in the Forum may in any event be deemed to be a notice to the Company for any purpose and, specifically, for the purpose of exercising any rights that Registered Users individually or collectively hold, nor shall it replace compliance with the requirements established by Law and by the Company’s Corporate Governance System for the exercise of any such rights or for the conduct of initiatives and activities by the shareholders.

3. All rights and powers that the shareholders wish to enforce must be exercised via the legally established channels and pursuant to the provisions, if any, contained in the Law and in the Company’s Corporate Governance System, such that the Forum shall in no event constitute a valid channel for such purpose.

Article 8. Company’s Liability

1. Extent of the Company’s liability

   The Company shall not be liable for the accuracy, truth, effectiveness, lawfulness or relevance of the communications sent by Registered Users or for the opinions expressed thereby.

   The Company shall only be liable for its own services and for the contents directly originated by it and identified with its copyright notice as a trademark or as intellectual or industrial property of the Company.

   By accessing and/or using the Forum, all Registered Users declare that they acknowledge and agree that they shall be solely and exclusively responsible for their use of the Forum.

2. Contents

   The Company expressly reserves the right to deny access to and/or use of the Forum as well as the right not to post or to remove communications sent by Registered Users that contravene applicable legal provisions, these Regulations or the requirements of good faith.
In addition, the Company has the power but not the duty to monitor the use of the Forum and the contents thereof, which are the sole responsibility of the Registered Users sending them or including them. In any event, the Company may establish tools to filter and moderate the contents of the communications, as well as remove contents when it believes that they may be unlawful or contrary to the provisions of these Regulations or to the requirements of good faith.

Registered Users shall be liable for any damages that the Company, any other Registered User or any third party may suffer as a consequence of access to and/or use of the Forum (including, specifically, the sending of communications) in violation of any provisions of applicable law, of these Regulations or of the requirements of good faith.

**Article 9. No License**

1. The Company authorizes Registered Users to use the intellectual and industrial property rights associated with the software application installed on the Company's server that executes the features making up the Forum solely for the purposes established in Article 4 and pursuant to the terms and conditions set forth in these Regulations. Registered Users shall refrain from obtaining or attempting to obtain access to or use of the Forum and its contents by means or procedures other than those made available to them or indicated for such purpose in each case.

2. The Company does not grant any kind of license or authorization to use its intellectual or industrial property rights or any other property or right related to the Forum other than as provided in the preceding paragraph.

**Article 10. Costs of Use**

Access to and use of the Forum by Registered Users is free of charge, except for the cost of connection through the telecommunications network supplied by the access provider hired by each Registered User.

**Article 11. Security and Protection of Personal Data**

1. The security and personal data protection provisions contained in the legal terms and conditions for access and use of the Company’s corporate website shall apply to the Forum. Specifically, all personal data provided by Registered Users or generated as a consequence of the use of the Forum shall be handled by the Company in order to establish, manage and monitor the operation of the Forum pursuant to the provisions of these Regulations and of applicable law.

2. Registered Users may exercise their rights of access, correction, removal and opposition via the e-mail address provided for in Article 12 below.

**Article 12. Registered Users’ Service**

Registered Users that wish to make suggestions or proposals for improvement of the Forum, or need technical assistance, or wish to exercise the rights afforded to them by personal data protection regulations, may write to the Company’s e-mail address displayed in the Forum for such purpose. The purpose of this e-mail address is to serve Registered Users and to improve the quality of the Forum, and does not entail any kind of control by or liability for the Company.
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21 June 2018

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PRELIMINARY TITLE

Article 1. Definition and Purpose
1. The Regulations of the Board of Directors (the “Regulations”) of Iberdrola, S.A. (the “Company”), in compliance with applicable legislation and as part of the Corporate Governance System, constitute its specific and concrete system of organisation, which further develops and supplements applicable legal and by-law-mandated rules, taking into consideration the nature of the Company as a holding company and as the controlling entity of those included within its group (the “Group”).
2. These Regulations have been prepared taking into account the good governance recommendations generally recognised in international markets.
3. The Regulations contain the principles of conduct of the Board of Directors of the Company, the basic rules for the organisation and operation thereof, and the rules for the selection, appointment, re-election, removal and conduct of its members, in order to achieve the greatest degree of transparency, effectiveness and control in the performance of its duties to develop and fulfil the corporate interest.
4. The principles of conduct and the rules for organisation and operation of the management decision-making bodies existing at other companies belonging to the Group shall be governed by their respective internal regulations, if any. Such regulations shall conform to the principles set forth in these Regulations, without prejudice to any adjustments that may be required based on the specific circumstances of each company, and shall, in all cases, abide by the guarantees required by the Corporate Governance System and the principles of coordination and information-sharing that must govern the relations among the management decision-making bodies of the various companies of the Group in order for them to fully comply with their respective duties.

Article 2. Scope
1. These Regulations apply to the Board of Directors, the representative decision-making bodies thereof (whether collective or single-person), and its internal committees, as well as to all members thereof.
2. The persons to whom these Regulations apply shall have the duty to be apprised of them, to comply with them and to enforce them, for which purpose the secretary of the Board of Directors shall provide them with a copy that has been updated with subsequent amendments as they are approved, to be acknowledged by means of a signed receipt, and shall also make it available thereto on the directors’ website and publish it on the Company’s corporate website.
3. The directors shall comply with and enforce the provisions of the Corporate Governance System and shall confirm such commitment in writing upon accepting their appointment or re-election in such manner as is determined by the secretary of the Board of Directors.

Article 3. Dissemination
These Regulations and any amendments hereto shall be communicated to the National Securities Market Commission (Comisión Nacional del Mercado de Valores) and registered with the Commercial Registry (Registro Mercantil) pursuant to applicable legal provisions. The current text of these Regulations shall be made available on the Company’s corporate website.

Article 4. Priority and Interpretation
1. These Regulations further develop and supplement applicable legal and by-law provisions, which provisions shall prevail in the event of conflict with the provisions set forth herein, and shall be interpreted in accordance with law and the Corporate Governance System.
2. Any questions that may arise in connection with the interpretation or application hereof shall be resolved by the Board of Directors, which shall include such amendments, if any, as it deems appropriate.

Article 5. Amendment
1. The Board of Directors may, by resolution adopted by at least a two-thirds majority of the directors present at the meeting in person or by proxy, amend these Regulations on its own initiative, or on the initiative of its chairman, of one-third of the directors, or of the Corporate Social Responsibility Committee, with the proposed amendment to be accompanied by a description of the reasons for and the scope of the amendment sought.
2. The proposed amendments shall be accompanied by a report of the Corporate Social Responsibility Committee, unless the initiative comes from the committee itself or from the Board of Directors.
3. Notice of the meeting of the Board of Directors called to decide upon the aforementioned proposed amend­ment shall be accompanied by the entire text thereof, the report with the rationale therefor, and the report of the Corporate Social Responsibility Committee, if appropriate.

4. The Board of Directors shall inform the shareholders of any amendment to the Regulations approved there­by at the next General Shareholders’ Meeting.

**TITLE I. PRINCIPLES OF CONDUCT**

**Article 6. Main Principles of Conduct**

The fundamental guidelines for the conduct of the Board of Directors, in addition to strict observance of appli­cable law, are compliance with the Corporate Governance System, effective engagement of the shareholders and other stakeholders, satisfaction of the corporate interest, maximisation of the social dividend, and the conformance of its work and that of all of its members to the Directors’ Code of Ethics.

**Article 7.- Corporate Governance System**

1. The Board of Directors shall at all times comply with the provisions of the Corporate Governance System, without prejudice to the powers that it vests therein to further develop, apply and integrate the rules of which it consists, in order to at all times ensure the achievement of its purposes, and particularly the corporate interest.

2. For purposes of maintaining the proper unity and coherence of the Corporate Governance System, the Board of Directors may, on its own initiative, approve reforms that simultaneously affect several documents of the Corporate Governance System where the approval thereof is within the purview of the Board of Directors, in which case there shall be no need for a prior proposal or report from any other body.

3. The Board of Directors shall always act in accordance with the provisions of the Mission, Vision and Values of the Iberdrola group, which constitutes the corporate philosophy of the Company, provides the ideological and axiological foundation on which it is based, guides the devotion to perfecting its business, corporate and institutional reality, and inspires the Corporate Governance System, which must govern its strategy and all of its actions.

**Article 8.- Corporate Interest**

1. The Board of Directors shall carry out its duties with unity of purpose and independent judgement, always in pursuit of the Company’s corporate interest, which is understood as the common interest of all sharehold­ers of an independent company focused on the sustainable creation of value by engaging in the activities included in its corporate object, taking into account other stakeholders related to its business activity and its institutional reality, in accordance with the Mission, Vision and Values of the Iberdrola group.

2. The Board of Directors shall endeavour to ensure that the chairman of the Board of Directors, as well as the Executive Committee and the chief executive officer, pursue the corporate interest.

**Article 9.- Shareholders and Stakeholders**

The Board of Directors shall endeavour to ensure the effective engagement of the shareholders and other stake­holders in the business, corporate and institutional enterprise of the Company, affording equal treatment to all shareholders in the same situation.

**Article 10.- Social Dividend**

The Board of Directors shall perform its duties while endeavouring to maximise the social dividend, which is envisaged as the creation of sustainable value for all stakeholders affected by the activities of the Group, through the development of its businesses, the stimulation of the business communities in which the Company participates, the promotion of equality and justice, the encouragement of innovation and respect for the environ­ment, as well as through the creation of high-quality employment, the stimulation of social responsibility and leadership in the fight against climate change.

**Article 11.- Ethical Requirements**

1. 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 the authority for such purpose to approve a Code of Ethics and a Directors’ Code of Ethics, which reflect this commitment, applicable to the professionals of the companies of Group and to the members of the Board of Directors, respectively.

2. The Board of Directors shall adopt the measures necessary to ensure that the professionals of the Group and the directors comply with the provisions of the Code of Ethics and the Directors’ Code of Ethics, respectively.
TITLE II. STRUCTURE AND POWERS

Article 12. Structure

Management of the Company is vested in a Board of Directors, its chairman, an executive committee called the Executive Committee (Comisión Ejecutiva Delegada) and, if so resolved by the Board of Directors, a chief executive officer (consejero delegado).

Article 13. 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 By-Laws to the shareholders acting at a General Shareholders’ Meeting.

2. The Board of Directors has the broadest powers and authority to manage and represent the Company.

3. Notwithstanding the foregoing, pursuant to the Corporate Governance System, the Board of Directors shall focus its activity on approving the strategic goals of the Group, on defining its organisational model and on supervising compliance therewith and further development thereof. The Board of Directors may rely on the Executive Committee to perform this supervisory duty.

Without prejudice to the non-delegable powers provided for by law and the Corporate Governance System, the Board of Directors shall generally entrust the duties of organisation and strategic coordination of the Group to the chairman of the Board of Directors, to the chief executive officer and to the management team, who shall disseminate, implement and supervise the general strategy and basic guidelines established by the Board of Directors.

4. The Board of Directors shall supervise the activities of the chairman of the Board of Directors, of the chief executive officer, and of the Executive Committee, and shall guarantee the effectiveness of the checks and balances system provided for by law and the Corporate Governance System.

5. The main function of the Company is to act as the parent company of the Group. In this regard, the Board of Directors shall decide on the creation of country subholding companies in the countries it considers appropriate. In each of said countries, the country subholding companies group together the equity stakes in the energy head of business companies acting in that territory. The Group also has country subholding companies that group together certain equity interests in other entities, including the non-energy head of business companies, with a presence in various countries.

These country subholding companies strengthen the function of organisation and strategic coordination of the Group, disseminating, implementing, and supervising the general strategy and the basic management guidelines at the country level with respect to the head of business companies grouped within each of them, taking into account the characteristics and unique aspects of such countries, in accordance with the provisions of applicable law and especially the rules on separation of regulated activities.

6. The Board of Directors shall design, evaluate and review the Corporate Governance System on an ongoing basis. In particular, it shall approve the Mission, Vision and Values of the Iberdrola group and shall attend to the approval and update of the Corporate Policies, which shall further develop the principles reflected in the By-Laws and other elements of the Corporate Governance System and codify the guidelines that should govern the activities of the Company and of the companies within the Group, as well as its directors, officers and employees. The Corporate Policies shall group together those relating to corporate governance and regulatory compliance, risks and social responsibility.

7. The Board of Directors, within its powers regarding approval of the strategic goals of the Group and the definition of its organisational model, shall occupy itself with the following matters, among others:

a) Establish, within legal limits, the policies and strategies of the Group and the basic guidelines for the management thereof, entrusting to the management decision-making bodies and to the management of the head of business companies of the Group the duties of day-to-day administration and effective management of each business.

b) Supervise, with the support of the Executive Committee, the chairman of the Board of Directors, the chief executive officer and the management team, as well as the country subholding companies within their respective countries, the general development of such policies, strategies and guidelines by the head of business companies of the Group, establishing appropriate mechanisms for the exchange of information in the interest of the Company and of the companies included within the Group.

c) Agree with each of the listed country subholding companies of the Group on their respective special framework of strengthened autonomy and ensure compliance therewith.

d) Decide on matters of strategic importance at the Group level.
8. In particular, the Board of Directors, acting upon its own initiative or at the proposal of the corresponding internal decision-making body, shall occupy itself with the matters set forth below (as an example only):

A) With respect to the engagement of the shareholders in corporate life and with the General Shareholders’ Meeting:
   a) Lead the strategy of engaging the shareholders in corporate life and establishing a policy that actively promotes it.
   b) Call the General Shareholders’ Meeting, set the agenda of the call to meeting, formulate the corresponding proposed resolutions regarding each of the items on said agenda, and approve the rules for implementation of the provisions of the Corporate Governance System relating to the holding thereof.
   c) Propose the amendment of the By-Laws and the Regulations for the General Shareholders’ Meeting to the shareholders at a General Shareholders’ Meeting.
   d) Submit to a decision by the shareholders at a General Shareholders’ Meeting the assignment to dependent entities of core activities theretofore carried out by the Company, even though the Company retains full control of such entities.
   e) Submit to a decision by the shareholders at a General Shareholders’ Meeting transactions for the acquisition or disposition of essential operating assets.
   f) Submit to a decision by the shareholders at a General Shareholders’ Meeting transactions having an effect equivalent to the liquidation of the Company.
   g) Carry out the resolutions approved by the shareholders at a General Shareholders’ Meeting and perform any duties that the shareholders have entrusted thereto.
   h) Approve a policy for the payment of bonuses for attending the General Shareholders’ Meeting.
   i) Generally, submit to the shareholders at a General Shareholders’ Meeting all those matters within its purview under applicable law.

B) With respect to the policies and strategies of the Company and of the Group and the corporate and governance structure thereof:
   a) Approve the Mission, Vision and Values of the Iberdrola group.
   b) Establish the general policies and strategies of the Company and of the Group:
   c) Approve the strategic or business plan, as well as the management goals and annual budgets, the investment and financing policy, the corporate responsibility policy and the shareholder remuneration policy.
   d) Define the corporate and governance structure of the Group.
   e) Establish the policy for the control and management of risks, including tax risks, and the supervision of the internal information and control systems.
   f) Determine the Company’s tax strategy and approve investments or transactions with particular tax risks due to the elevated amount or special characteristics thereof.
   g) Establish the shareholders remuneration policy and propose to the shareholders acting at a General Shareholders’ Meeting the decisions it deems most appropriate regarding the application of results and the distribution of dividends, as well as approve the payment of interim dividends. The Board of Directors may also propose other modes of shareholder remuneration.
   h) Establish the policy regarding own shares.
   i) Oversee that the country subholding companies comply with the legal provisions on regulated activities within their respective jurisdictions.
   j) Take note of mergers, split-offs, concentrations or overall assignments of assets and liabilities affecting any of the country subholding companies or head of business companies of the Group.
   k) Approve the creation or acquisition of equity interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, might diminish the transparency of the Group.
   l) Upon a proposal of the Audit and Risk Supervision Committee, approve the General Framework for Relations of Coordination and Information among the Audit Committees of Iberdrola, S.A. and its group, as well as the Basic Internal Audit Regulations.
C) With respect to the organisation of the Board of Directors and the delegation of powers and the granting of powers of representation:
   a) Approve and amend these Regulations.
   b) Define the structure of general powers to be granted by the Board of Directors or by the delegated management decision-making bodies and the general rules governing the powers-of-attorney granted by the companies of the Group.
   c) Supervise the effective operation of the committees it has created and the activities of the delegated decision-making bodies and of the senior officers that it has appointed.

D) With respect to the information to be provided by the Company:
   a) Manage the provision of information regarding the Company to the shareholders and the markets in general, pursuant to standards of equal treatment, transparency and truthfulness.
   b) Prepare the annual accounts, the management report and the proposed allocation of the Company’s results, as well as the consolidated annual accounts and management report.
   c) Approve the financial information that the Company must periodically make public due to its status as listed company, ensuring that such documents provide a true and fair view of the assets and liabilities, the financial position and the results of the Company in accordance with the provisions of law.
   d) Approve the Company’s Annual Corporate Governance Report, as well as the annual sustainability report, the integrated report, the Annual Director Remuneration Report and any other report that the Board of Directors deems advisable in order to better inform shareholders and investors or that is required by law.

E) With respect to the directors and senior officers:
   a) Designate directors to fill vacancies by interim appointment and propose to the shareholders at a General Shareholders’ Meeting the appointment, ratification, re-election or removal of directors.
   b) Designate and renew internal positions within the Board of Directors and the members of and positions on the committees established within the Board of Directors.
   c) Propose to the shareholders at the General Shareholders’ Meeting the approval of the director remuneration policy upon the terms established by law and the Corporate Governance System, and make decisions regarding the remuneration thereof within the framework of the By-Laws and the provisions of said policy.
   d) Appoint the directors that are to perform executive duties and remove them, setting the remuneration to which they are entitled by reason of their executive duties and the other terms of their contracts, conforming to the director remuneration policy approved by the shareholders at the General Shareholders’ Meeting.
   e) Approve the plan for succession and temporary replacement of the chairman of the Board of Directors.
   f) Approve, upon a proposal of the chief executive of the Company, the determination and modification of the Company’s organisational chart, the appointment and removal of senior officers and any other officers required by law, as well as the establishment of the basic terms of their contracts, including their remuneration and the compensation or severance payments in the event of removal. As an exception to the foregoing, following a report from the Appointments Committee, the Audit and Risk Supervision Committee shall, if applicable, submit to the Board of Directors a proposal supported by the corresponding report regarding the selection, appointment or removal of the director of the Internal Audit Area.

   Senior officers shall be all those officers who report directly to the Board of Directors, to the chairman thereof, or to the chief executive officer of the Company, as well as any other officer that the Board of Directors acknowledges as such upon a proposal of the chairman thereof or the chief executive officer, and in any event the director of the Internal Audit Area.

   g) Decide on the authorisation or release from obligations arising from the duty of loyalty established by law (unless the decision regarding the authorisation or release legally corresponds to the shareholders acting at a General Shareholders’ Meeting).
F) Other powers:
   a) Decide on the approval of transactions that the Company or companies of its Group engage in with
directors or shareholders holding a significant interest or that are represented on the Board of Direc-
tors, as well as with persons related thereto, upon the terms established by law and the Corporate
Governance System.
   b) Declare its position regarding all takeover bids for securities issued by the Company.
   c) Decide on proposals submitted thereto by the Executive Committee, the chairman of the Board of
Directors, the chief executive officer, the lead independent director and the committees of the Board
of Directors.
   d) Make decisions regarding any other matter within its purview that the Board of Directors believes to
be in the interest of the Company or that these Regulations reserve to the Board as a whole.

9. Those powers reserved by law or the Corporate Governance System for direct exercise by the Board of Di-
rectors may not be delegated.

10. Notwithstanding the foregoing, when there are urgent and duly justified circumstances, and the law so
permits, the Executive Committee or the chief executive officer may make decisions regarding those matters
referred to in the preceding sections, which must be ratified at the first meeting of the Board of Directors
held after the making thereof.

11. The Board of Directors shall annually evaluate:
   a) Its operation and the quality of its work.
   b) The performance of their duties by the chairman of the Board of Directors and by the chief executive
officer of the Company, based on the report submitted thereto by the Appointments Committee.
   c) The operation of its committees, in view of the report submitted thereto by such committees. For such
purpose, the chairman of the Board of Directors shall organise and coordinate the aforementioned eval-
uation process with the chair of each committee.

It shall have the support of external consultants and of those internal means they deem appropriate in each
case to perform said evaluation. Based on the results of the annual evaluation, the Board of Directors shall
propose a plan of action to correct the deficiencies found.

12. In connection with such matters included in this article as may be appropriate, the Board of Directors shall
act in coordination with the management decision-making bodies of the other companies forming part of
the Group, acting in the common interest of all of them.

TITLE III. COMPOSITION

Article 14. Number of Directors

1. The Board of Directors shall be composed of a minimum of nine and a maximum of fourteen directors, who
shall be appointed or ratified at a General Shareholders’ Meeting, in accordance with law and the Corpo-
rate Governance System.

2. The determination of the number of directors shall be the purview of the shareholders acting at a General
Shareholders’ Meeting, for which the shareholders may establish such number either by express resolution
or through the filling or non-filling of vacancies or the appointment of new directors.

3. The Board of Directors must submit a proposal to the shareholders at a General Shareholders’ Meeting, set-
ting forth the number of directors best suited to ensuring the efficient operation thereof and proper degree
of representation of the Board, and to reflecting an appropriate balance of experience and expertise, such
that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters
dealt with.

4. The Board of Directors shall take into account the circumstances of the Company and generally accepted
good governance recommendations for purposes of the preceding section.

5. The foregoing shall be deemed to be without prejudice to the system of proportional representation to which
the shareholders are entitled under the provisions of law.

Article 15. Classes of Directors

1. Those directors who perform management duties within the Company or its Group, whatever the legal rela-
tionship 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 (consejeros dominicales): 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 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 with the other directors. Neither those directors who have been directors for a continuous period of more than twelve years, nor those who are in any of the other situations established for these purposes by law, may be deemed independent directors.
   c) Other external directors: those directors who are not executive directors and also do not fit the description of a proprietary or independent director.

3. Proprietary directors who cease to have such status as a result of the shareholder which proposed their appointment selling its interest may only be re-elected as independent directors when such shareholder has sold all of its shares of the Company and they meet the other requirements for classification as such.

4. A director who has a shareholding interest in the Company may have the status of independent director provided that the director satisfies all of the conditions established by law and, in addition, the interest held thereby is not significant in accordance with applicable legal provisions.

5. The Board of Directors shall endeavour to ensure that the number of executive directors is the minimum necessary, taking into account the complexity of the Group and the percentage interest held by executive directors in the share capital of the Company, and that a majority of the members of the Board of Directors are independent directors. The relation between the number of proprietary directors and the number of independent directors shall reflect, as far as possible, the ratio of the Company’s voting share capital represented by proprietary directors to the rest of the share capital.

6. A rationale for the status of each director shall be given by the Board of Directors at the General Shareholders’ Meeting at which the appointment thereof must be made or ratified, and shall be maintained or, if applicable, modified annually in the Annual Corporate Governance Report after verification by the Appointments Committee.

7. The preceding instructions are mandatory for the Board of Directors, which shall follow them in the exercise of its powers to propose appointments or re-elections at a General Shareholders’ Meeting and to make interim appointments of directors to fill vacancies, and when legally possible merely constitute guidance for the shareholders at the General Shareholders’ Meeting.

**TITLE IV. APPOINTMENT AND CESSATION OF OFFICE OF DIRECTORS**

**Article 16. Selection of Candidates**

1. The Board of Directors and the Appointments Committee, within the scope of their powers, shall endeavour to ensure that the candidates proposed to the shareholders at a General Shareholders’ Meeting for appointment or re-election as directors, as well as the directors appointed directly to fill vacancies in the exercise of the power of the Board of Directors to make interim appointments, are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties.

2. The selection of candidates shall endeavour to ensure that an appropriate balance is achieved within the Board of Directors as a whole that enriches decision-making and the contribution of multiple viewpoints to the discussion of the matters within its purview.

3. By way of guidance only, it shall also consider the appropriateness of the directors generally not exceeding the age of seventy years.

4. The Board of Directors shall endeavour to ensure that the procedures for selecting candidates favour diversity of gender, experience, and knowledge, and are free from any implied bias entailing any kind of discrimination and, in particular, that they favour the selection of female directors.
5. The Board of Directors shall approve a Board of Directors Diversity and Director Candidate Selection Policy for the selection of candidates for director that specifically develops the principles set forth in the preceding sections. Any director may suggest candidates to the Appointments Committee, which may take them into account if they meet the requirements set forth in these Regulations and in the Board of Directors Diversity and Director Candidate Selection Policy.

6. In the case of a corporate director, the person representing it in the exercise of the duties of the position shall be subject to the same requirements and disqualifications applicable to individual directors. The duties established for directors in the Corporate Governance System shall also be applicable thereto and required thereof.

**Article 17. Appointment**

1. The directors shall be appointed by the shareholders acting at a General Shareholders’ Meeting pursuant to the provisions of law and, to the extent applicable, the Corporate Governance System.

2. The proposals for appointment and re-election of directors that the Board of Directors submits to a decision by the shareholders acting at a General Shareholders’ Meeting, and the decisions made by the Board of Directors in the exercise of the legally-assigned power to make interim appointments to fill vacancies, shall be preceded by a corresponding proposal of the Appointments Committee, in the case of independent directors, or a report from such committee, in the case of other directors.

3. The Appointments Committee must propose or report in each case on the assignment of the director to one of the categories contemplated in these Regulations and review it on an annual basis. The proposals and reports of the Appointments Committee shall expressly assess the candidates’ respectability, capability, expertise, competence, experience, qualifications, training, availability and commitment to their duties. For these purposes, the Appointments Committee shall determine the estimated time of dedication for non-executive directors, in number of hours per year, setting forth such number in the corresponding report or proposal.

4. If the Board of Directors deviates from the proposals and reports of the Appointments Committee, it shall give reasons for so acting and shall record such reasons in the minutes.

5. The required support shall be provided in order for new directors to become rapidly and adequately acquainted with the Company and the Group, as well as with the Corporate Governance System, for which purpose the Company may establish guidance programmes. In addition, the Company may establish, when the circumstances make it advisable, update training programmes for the directors.

**Article 18. Disqualifications**

The following may not be appointed as directors or as individuals representing a corporate director:

a) Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or senior officers thereof, or such persons, if any, as are proposed by them in their capacity as shareholders.

b) Individuals or legal entities serving as directors in more than five companies, of which no more than three may have shares trading on domestic or foreign stock exchanges. For purposes of the provisions of the preceding paragraph, positions within holding companies are excluded from the calculation. Furthermore, companies belonging to the same group shall be deemed to be a single company.

c) Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets, or other industries in which the Group operates.

d) Individuals or legal entities that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the Group.

**Article 19. Term of Office**

1. The directors shall serve in their position for a term of four years, so long as the shareholders acting at a General Shareholders’ Meeting do not resolve to remove them and they do not resign from their position.

2. Directors may be re-elected to one or more terms of four years.
3. Vacancies that occur may, pursuant to law, be filled by the Board of Directors until the next General Shareholders’ Meeting, whereat the shareholders shall confirm the appointments or elect the persons who should replace directors who are not ratified, unless it decides to withdraw the vacant positions.

**Article 20. Re-election**

1. The proposals for re-election of directors that the Board of Directors resolves to submit to a decision of the shareholders at the General Shareholders’ Meeting shall be subject to a procedure, which shall include a proposal (in the case of independent directors) or a report (in the case of the other directors) from the Appointments Committee, containing an analysis of the quality of the work performed and the dedication to the position shown by the proposed directors during the preceding term of office as well as an express evaluation of the respectability, capability, expertise, competence, availability and commitment to their duties.

2. Directors sitting on the Appointments Committee shall be evaluated by the committee itself, which shall use the internal and external means it deems appropriate for such purpose, and shall leave the meeting during the debate and voting of resolutions that may affect them.

3. The chairman, the vice-chairs, and, if they are directors, the secretary and the deputy secretaries of the Board of Directors, who are re-elected as members of the Board of Directors by the shareholders acting at a General Shareholders’ Meeting, shall continue to perform the duties they previously carried out within the Board of Directors, without the need for a new appointment. The foregoing is deemed to be without prejudice to the power of revocation belonging to the Board of Directors.

4. The re-election of the director holding the position of lead independent director shall not entail a continuation in the holding of such position, without prejudice to the Board of Directors being able to re-elect the director as such upon a proposal of the Appointments Committee.

**Article 21. Resignation, Removal and Cessation of Office**

1. Directors shall cease to hold office upon the expiration of the term of office for which they have been appointed or when it is so resolved by the shareholders at a General Shareholders’ Meeting.

2. Directors who cease to hold office due to resignation or other reasons (other than removal by resolution of the shareholders at a General Shareholders’ Meeting) prior to the end of the period for which they were appointed shall explain the reasons for their cessation in a letter sent to all of the members of the Board of Directors. The reasons for such cessation shall be reported in the Annual Corporate Governance Report.

3. Directors must submit their resignation to the Board of Directors in the following cases:

   a) When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or the Corporate Governance System.

   b) When, as a result of any acts or conduct attributable to the director, serious damage is caused to the value or reputation of the Company or there is a risk of criminal liability for the Company or any of the companies of the Group.

   c) When they cease to deserve the respectability or to have the capability, expertise, competence, availability or commitment to their duties required to be a director of the Company.

      In particular, when the activities performed by the director, or the companies that the director directly or indirectly controls, or the individual or corporate shareholders or those related to any of them, or the individual representing a corporate director, might compromise the suitability thereof.

   d) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.

   e) When remaining on the Board of Directors might jeopardise the loyal and diligent exercise of their duties in accordance with the corporate interest for any reason, whether directly, indirectly, or through persons related thereto.

   f) When the reasons why the director was appointed cease to exist and, in particular, in the case of proprietary directors, when the shareholder or shareholders who proposed, requested, or decided the appointment thereof totally or partially sell or transfer their equity interest, with the result that such equity interest ceases to be significant or sufficient to justify the appointment.

   g) When an independent director unexpectedly falls under supervening circumstances that prevent the director from being considered as such pursuant to the provisions of law.
4. In any of the instances set forth in section 3 above, the Board of Directors shall request the director to resign from such position and, if applicable, shall propose the director’s removal from office to the shareholders at the General Shareholders’ Meeting.

5. By way of exception, the resignation provisions set forth in letters f) and g) above shall not apply when, after a report from the Appointments Committee, the Board of Directors believes that there are reasons that justify the director’s continuance in office. The foregoing shall be deemed without prejudice to the effect that the new supervening circumstances may have on the classification of the director.

6. In the event that an individual representing a corporate director falls under any of the circumstances set forth in section 3 above, such individual shall be disqualified from acting as a representative thereof.

7. The Board of Directors may propose the removal of an independent director before the passage of the period provided for in the By-Laws only upon sufficient grounds, evaluated by the Board of Directors after a report from the Appointments Committee. For such purposes, it shall be deemed that there are sufficient grounds in the event of a breach of the duties inherent in the position of director or when such director has subsequently become subject to any of the prohibitions set forth in section 3 of this article. Such removal may also be proposed as a consequence of public takeover bids, mergers, or other similar corporate transactions resulting in a significant change in the shareholding structure of the Company.

Article 22. Duty to Abstain

The directors affected by proposals for appointment, re-election, removal from office, admonishment, or the approval of a contract with the Company governing their remuneration and their other rights and duties in the case of executive directors, shall leave the meeting during the debate and voting on the respective resolutions.

TITLE V. POSITIONS AND COMMITTEES

Chapter I. Positions

Article 23. Chairman of the Board of Directors

1. The chairman of the Board of Directors shall be appointed from among the directors after a report from the Appointments Committee, and 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.

2. The chairman of the Board of Directors shall be responsible for carrying out the resolutions thereof and of the other collective decision-making bodies that he presides over, being authorised in urgent cases to adopt such measures as the chairman deems advisable in furtherance of the corporate interest pursuant to law and the Corporate Governance System.

3. The chairman of the Board of Directors undertakes the senior management and representation of the Company and the leadership of the Board of Directors. He exercises the following powers in addition to the powers conferred by law and the Corporate Governance System:
   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 debate.
   b) To stimulate and organise the debate and active participation of the directors during meetings, safeguarding their freedom to take positions and express their opinion.
   c) To ensure, with the collaboration of the secretary, that the directors receive in advance information sufficient to deliberate on the items on the agenda.
   d) To chair the General Shareholders’ Meeting and direct the discussion and debate therein.
   e) 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 corporate decision-making bodies, as well as to propose the persons, if any, who will hold office as vice-chair or vice-chairs, chief executive officer and secretary and, if applicable, deputy secretary or deputy secretaries of the Board of Directors and of the committees of the Board of Directors.
   f) With the support of the Secretary of the Board of Directors, to provide to new directors the information needed to perform their duties and to promote access by all directors to training materials and sessions that allow them to continuously update their knowledge.
To promote the work of the consultative committees of the Board of Directors and ensure that they carry out their duties and responsibilities efficiently and with due coordination, having an appropriate organisation for such purposes.

4. The Board of Directors may appoint one or more honorary chairmen of the Company.

Article 24. Vice-Chair or Vice-Chairs of the Board of Directors

1. The Board of Directors, upon a proposal of its chairman and after a report from the Appointments Committee, may elect from among its members one or more vice-chairs who shall temporarily replace the chairman of the Board of Directors, with all of the powers and duties thereof and in the order set forth in this article, in the event of vacancy, absence, illness or incapacity.

2. If there is more than one vice-chair, the one that is expressly appointed by the Board of Directors for such purpose shall replace the chairman; in default of the foregoing, the vice-chair having the longest length of service in office; and, in case of equal lengths, the oldest.

3. In the absence of a vice-chair, the chairman shall be replaced by the appropriate director in accordance with the rules of the preceding section.

Article 25. Chief Executive Officer

1. The Board of Directors may appoint a chief executive officer (consejero delegado) with the favourable vote of at least two-thirds of its members, with the powers it deems appropriate and which may be delegated pursuant to law and the Corporate Governance System.

2. The chief executive officer shall be appointed upon a proposal of the chairman and after a report from the Appointments Committee. If such position is held by the chairman himself, the proposal shall come from the Appointments Committee.

3. The chief executive officer shall exercise the power to represent the Company in an individual capacity.

4. In the event of vacancy, absence, illness or incapacity of the chief executive officer, the duties thereof may only be assumed by another executive director (and limited to those powers delegated thereto), without prejudice to the duties and powers of the Executive Committee. However, the chairman of the Board of Directors shall convene the Board of Directors on an urgent basis in order to deliberate and decide upon the appointment, if any, of a new chief executive officer.

Article 26. Checks and Balances System: the 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 chief executive officer or the Executive Committee, 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 the chairman of the Board of Directors, the chief executive officer and the Executive Committee 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 members of the Board of 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 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:
   a) Chair the meetings of the Board of Directors in the absence of the chairman and of the vice-chairs.
   b) 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.
   c) 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.
   d) Coordinate, gather and reflect the concerns of the non-executive directors.
   e) Direct the periodic evaluation of the chairman of the Board of Directors and lead any process for the succession thereof.

5. The lead independent director may also maintain contacts with shareholders when so decided by the Board of Directors.
6. The revocation of any of the foregoing powers shall require a prior report from the Appointments Committee, unless they are powers recognised under the law, in which case they may not be revoked.

Article 27. Secretary, Deputy Secretary or Deputy Secretaries

1. The Board of Directors, upon a proposal of the chairman thereof and after a report from the Appointments Committee, shall appoint a secretary and, if appropriate, one or more deputy secretaries, who need not be directors. The same procedure shall be followed to decide the removal of the secretary and, if appropriate, each deputy secretary.

2. The deputy secretary or deputy secretaries shall replace the secretary in the event of vacancy, absence, illness or incapacity. 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 coordinate the tasks of the secretaries of the committees of the Board of Directors as to all matters relating to the Corporate Governance System and to regulatory compliance.

4. The secretary of the Board of Directors shall perform the following duties in addition to those assigned to by law and the Corporate Governance System:

   a) Maintain and keep custody of the corporate documents, duly record the proceedings of meetings in the minute books and certify the resolutions adopted and decisions made by the collective management decision-making bodies.

   b) Ensure the formal and substantive legality of all activities of the collective management decision-making bodies and the adherence thereof to law and the Corporate Governance System. For such purpose, the secretary of the Board of Directors shall take into account, among others, the orders issued by regulatory authorities, as well as their recommendations, if any.

   c) Advise the Board of Directors regarding the ongoing assessment and update of the Company’s Corporate Governance System and report on new initiatives in the area of corporate governance at the domestic and international level, and endeavour to ensure that the Board of Directors takes into account those good governance recommendation for which non-compliance must be explained in the Annual Corporate Governance Report.

   d) Maintain a dialogue with the National Securities Market Commission, unless the Board of Directors expressly assigns this duty to another person.

   e) Generally act as a channel in relations between the Company and the directors in connection with all matters relating to the operation of the Board of Directors, in compliance with the instructions of the chairman thereof, and without prejudice to the powers of the lead independent director.

   f) Assist the chairman of the Board of Directors so that the directors receive information relevant to the exercise of their duties sufficiently in advance and in the proper format.

   g) Channel all requests from the directors regarding the information on and documentation of those matters that fall within the purview of the Board of Directors.

   h) Decide the information that must be included in the Company’s corporate website in compliance with law and the Corporate Governance System.

   i) Act as secretary of the Executive Committee.

   j) Act as secretary for the General Shareholders’ Meeting.

   k) Under the supervision of the chairman of the Board of Directors, provide the support required by the consultative committees of the Board of Directors so that they may effectively exercise their powers, ensuring that their activities, and particularly their respective meeting schedules and meeting agendas, as well as any appearances, are duly coordinated with those of the Board of Directors and the other committees, receiving and processing communications between the consultative committees and organising and channelling information flows.

   l) Under the supervision of the Board of Directors, ensure that the consultative committees have the internal and external material and human resources that are appropriate and reasonably necessary to carry out
its duties and responsibilities, channelling whatever petitions and requests are made for such purpose to the rest of the organisation.

m) Assist the Compliance Unit in handling investigations that affect a member of the Board of Directors, and specifically in selecting the investigating officer, who shall be a person from outside the Group to guarantee independence.

5. The secretary must expressly state for the record his opposition to resolutions that are contrary to law, to the Corporate Governance System, or to the corporate interest, upon the terms set forth in letter f) of article 36.3.

6. In order to properly perform the duties entrusted thereto, the secretary must have access to the minutes of the meetings of the committees of the Board of Directors for which the secretary is not acting as such.

Article 28. General Secretary and Counsel
1. The Board of Directors, after a report from the Appointments Committee, may appoint a general secretary, who shall contribute to integration and coordination between the Company and the companies forming part of the Group. The secretary of the Board of Directors, or one of the deputy secretaries thereof, if any, may hold the position of general secretary.

2. The Board of Directors, after a report from the Appointments Committee, shall appoint a counsel to the Board of Directors, who shall have the duties given thereto by law.

3. The counsel shall have access to the minutes of the meetings of the Board of Directors and its committees in order to verify that they comply with applicable legal provisions and with the Corporate Governance System.

4. The secretary or one of the deputy secretaries, if any, may perform the duties of counsel to the Board of Directors if they are attorneys-at-law and satisfy the other requirements established by law and it is so decided by the Board of Directors.

5. The general secretary and the counsel must comply with the directors’ obligations established in these Regulations that may apply due to the nature thereof.

Chapter II. Committees of the Board of Directors
Article 29. Committees of the Board of Directors
1. The Board of Directors must create and maintain, as a part thereof and on a permanent basis, an Executive Committee, with the composition and duties described in these Regulations.

2. The Board of Directors must also create an Audit and Risk Supervision Committee, an Appointments Committee, a Remuneration Committee and a Corporate Social Responsibility Committee. Such committees shall have the composition and duties described in these Regulations and in the specific regulations thereof approved by the Board of Directors, the regulation of which shall always favour independence in the operation thereof.

3. In addition, the Board of Directors may create other committees or commissions of purely internal scope with such powers as are determined by the Board of Directors. The chair and the other members of such committees and commissions, as well as the secretary thereof, shall be appointed by the Board of Directors.

4. The committees shall be governed by their own rules and regulations, if any, which shall be approved by the Board of Directors, and in the alternative and to the extent not inconsistent with their nature, by the provisions of these Regulations governing the operation of the Board of Directors and, specifically, those governing the call to meetings, granting of a proxy to another member of the committee in question, establishment of a quorum, meetings without prior notice, proceedings at meetings and rules for adopting resolutions, voting in writing and without a meeting, and approval of the minutes of meetings.

5. The resolutions of the committees shall be adopted by absolute majority of its members who are present at the meeting in person or by proxy. In the event of a tie, the chair of the committee shall have the tie-breaking vote.

6. The committees of the Board of Directors shall act with due coordination in the defence of the corporate interest, contributing to the good corporate governance of the Company in accordance with the provisions of the Corporate Governance System. For these purposes, the chair of each committee shall inform the Board of Directors of the matters dealt with and the resolutions adopted during its meetings at the next meeting of
the Board of Directors. In addition, within three months following the end of each financial year, each committee shall submit to the Board of Directors for approval a comprehensive report detailing its work during the prior financial year, which shall be included in an Activities Report of the Board of Directors and of the Committees thereof. This document shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting.

7. In order to ensure the due coordination of the activities of the consultative committees, prior to the beginning of each financial year, the secretary of the Board of Directors shall send to the secretaries of such committees an annual plan, including the meeting schedule and planned agendas approved by the Board of Directors, in order for them to then be able to prepare the proposed meeting schedules of their respective committees, which shall include the tentative agenda as well as any appearances they deem necessary. Based on the information received and the annual plan for meetings of the Board of Directors, the Secretary of the Board of Directors shall validate the proposals received, or make the appropriate comments, and once agreed upon, shall prepare an annual plan for meetings of the corporate decision-making bodies and so inform the secretaries of the committees and keep it continuously updated.

To this end, the secretaries of the committees must notify the Secretary of the Board of Directors, for validation thereof, of any change in the dates, the items to be discussed or the appearances to be requested with respect to the annual meeting plan of the corporate decision-making bodies from time to time in effect.

8. Without prejudice to the provisions of the preceding section, the committees shall meet as many times as their respective chairs deem necessary to exercise the powers entrusted thereto. They shall also meet when so requested by a minimum of two of their members. The chairman of the Board of Directors and the chief executive officer may request informational meetings with any of the committees on an exceptional basis.

9. Any director may be asked to attend meetings of the committees at the request of the respective chair thereof, which request shall be addressed to the chairman of the Board of Directors for such purpose.

10. The committees may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the relevant committee.

Article 30. Executive Committee

1. The Executive Committee shall have all of the powers of the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions. However, when there are urgent and duly justified circumstances, and the law so permits, the Executive Committee may make those decisions they deem appropriate for the corporate interest, which must be ratified at the first meeting of the Board of Directors held after the making thereof.

2. The Executive Committee shall be composed of the number of directors decided by the Board of Directors upon a proposal of the Appointments Committee, with a minimum of four and a maximum of eight directors.

3. The appointment of the members of the Executive Committee and the permanent 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.

4. The chairman of the Board of Directors and the chief executive officer shall 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 is a member of the Executive Committee, and if none, by a director who is a member of the Executive Committee, in both cases pursuant to the order set forth in article 24.2 above.

6. 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.

7. The Company shall endeavour to ensure that, to the extent possible, the structure of participation of the various categories of directors in the makeup of the Executive Committee, excluding executive directors, is similar to that of the Board of Directors.

8. A director who is appointed as a member of the Executive Committee shall serve for the unexpired portion of such director’s term of office, without prejudice to the Board of Directors’ power of revocation. In the event
that a member of the Executive Committee is re-elected as director, such member shall only continue to serve as a member of the Executive Committee if expressly re-elected as such by resolution of the Board of Directors.

9. The directors shall receive a copy of the minutes of the meetings of the Executive Committee.

Article 31. 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 Committee from among the non-executive directors who are not members of the Executive Committee. A majority of such directors shall be independent, and at least one of them shall be appointed taking into account the knowledge and experience thereof in the areas of accounting, audit, and risk management. Without prejudice to the foregoing, the Board of Directors and the Appointments Committee shall endeavour to ensure that all members of the Audit and Risk Supervision Committee, and especially the chair thereof, have the expertise, qualifications and experience appropriate for the duties they are called upon to perform in the area of accounting, auditing or risk managements, and that at least one of them has experience in information technology, and that as a whole the members of the Audit and Risk Supervision Committee have relevant technical knowledge in the finance and internal control area, as well as in relation to the energy sector.

3. The Board of Directors shall appoint the 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 and who, in any event, must comply with the directors’ obligations established in these Regulations that may apply due to the nature thereof.

4. Members of the Audit and Risk Supervision Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

5. 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.

6. The Audit and Risk Supervision Committee shall have the powers set forth in law, in its own regulations, and in any event the following:

a) Conduct a periodic review of the Risk Policies on at least an annual basis and, if it so deems appropriate, propose the amendment and update thereof to the Board of Directors.

b) Approve the policy regarding the selection, contracting, and relations with the auditor.

c) Report to the shareholders at the General Shareholders’ Meeting with respect to the issues raised therein by the shareholders that are within the purview of the Audit and Risk Supervision Committee, and particularly with respect to the results of the audit of the annual accounts, explaining how it has contributed to the integrity of the financial information, and the role that it has played in such process.

d) Monitor the effectiveness of internal control at the Company and within its Group, as well as of their system for managing risks.

e) Together with the auditors, analyse significant weaknesses in the internal control system detected during the audit, all without infringing upon the independence thereof. To this end, if appropriate, it may submit recommendations or proposals to the Board of Directors and the corresponding follow-up period.

f) Supervise the process of preparing and presenting mandatory financial information and submit recommendations or proposals to the Board of Directors to protect the integrity of this information.

7) Propose to the Board of Directors, for submission to the shareholders at the General Shareholders’ Meeting, its recommendation and preference for the appointment of a new auditor, pursuant to the provisions of law and the Auditor Contracting and Relations Policy. The proposal of the Board of Directors to the shareholders at the General Shareholders’ Meeting must include the recommendation and preference of the Audit and Risk Supervision Committee as provided by law.
h) Propose to the Board of Directors for submission to the shareholders at a General Shareholders’ Meeting the re-election of the auditors, as well as the terms for the hiring thereof, in accordance with applicable legal provisions, and regularly receive therefrom information regarding the audit plan and the implementation thereof, in addition to preserving the independence thereof in the performance of its duties.

i) Supervise the activities of the Internal Audit Area, which shall be functionally controlled by the Audit and Risk Supervision Committee.

j) Authorise in advance the services other than those prohibited by legal provisions governing audit activities that the Company’s audit firm or the persons or entities connected thereto will provide to companies of the Group, all as provided by law and the Auditor Contracting and Relations Policy.

k) Establish appropriate relationships with the auditors to receive information regarding matters that might entail a threat to the independence thereof, for examination by the Audit and Risk Supervision Committee, and any other information related to the development of the audit procedure, as well as such other communications as are provided for in the laws on auditing of accounts and in other legal provisions on auditing.

In any event, it must receive written confirmation from the auditors on an annual basis of their independence in relation to the Company or entities directly or indirectly related thereto, as well as a detailed breakdown of information on additional services of any kind provided to and the corresponding fees received from such entities by such auditors or persons or entities related thereto, pursuant to the legal provisions governing the auditing of accounts.

l) On an annual basis, prior to the audit report, issue a report containing an opinion on whether the independence of the auditors is compromised, which shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting. This report shall contain a reasoned assessment of the provision of each and every one of the additional services other than the legal audit referred to in the preceding letter, considered individually and as a whole, and in relation to the rules on independence or the legal provisions regarding the auditing of accounts.

m) Report in advance to the Board of Directors regarding the financial information that the Company must disclose on a regular basis because of its status as a listed company; the committee shall make sure that the interim financial statements are prepared in accordance with the same accounting standards as the annual accounts and, for such purpose, it shall consider the appropriateness of a limited review by the auditor.

n) Report to the Board of Directors, prior to the Board’s decision thereon, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might diminish the transparency of the Group, unless such transactions are carried out by listed country subholding companies of the Group or by subsidiaries thereof, in which case the audit and compliance or similar body of such listed country subholding company shall be responsible for issuing the relevant report.

o) Report on the structural modifications and corporate transactions to be undertaken by the Company, analysing the economic terms and conditions thereof, including if appropriate the exchange ratio as well as the accounting impact thereof.

p) Issue such other reports and take such other actions as may also fall within its purview pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

7. The chair of the Committee may request, through the secretary of the Board of Directors and without prejudice to the provisions of the Regulations of the Audit and Risk Supervision Committee, the attendance of any director, officer or employee of the Company and of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto. The secretary of the Board of Directors shall evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the committee, the identity of the person whose attendance is requested and the meeting schedules of the corporate decision-making bodies from time to time in effect.
8. The Audit and Risk Supervision Committee may also request the presence of the auditors at its meetings.

**Article 32. Appointments Committee**

1. The Board of Directors shall create a permanent Appointments 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 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 Committee, from among the non-executive directors, and the majority thereof must classified as independent.

3. The Board of Directors shall appoint a chair of the Appointments Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director and who, in any event, must comply with the directors’ obligations established in these Regulations that may apply due to the nature thereof.

4. The Board of Directors shall endeavour to ensure that the members of the Appointments Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform.

5. Members of the Appointments Committee shall be appointed for a maximum term of four years, and may be re-elected on one or more occasions for terms of the same maximum length.

6. The Appointments Committee shall have the powers set forth in law, in its own regulations, and in any event the following:

   a) Report on and review the criteria that should be followed in composing the Board of Directors and in selecting candidates, and particularly the necessary competence, knowledge and experience, and assess the time and dedication required for the proper performance of their work. In the exercise of this power, the Appointments Committee shall take into account, regarding non-external directors, the relation between the number of proprietary directors and the number of independent directors, such that the composition of the Board of Directors reflects, as far as possible, the ratio of the Company’s voting share capital represented by proprietary directors to the rest of the share capital.

   b) Evaluate compliance with the Board of Directors Diversity and Director Candidate Selection Policy.

   c) Ensure that when new vacancies are filled or new directors are appointed, the selection procedures are free from any implied bias entailing any kind of discrimination and, in particular, from any bias that may hinder the selection of female directors.

   d) Establish a goal for representation by the less represented gender on the Board of Directors and prepare guidance on how to reach this objective.

   e) Bring proposed appointments of independent directors to the Board of Directors for appointment on an interim basis to fill a vacancy or for submission of such proposals to a decision by the shareholders at the General Shareholders’ Meeting, as well as proposals for the re-election or removal of such directors by the shareholders at the General Shareholders’ Meeting, and report on the proposals for removal of such directors made by the Board of Directors.

   f) Report on the proposals for appointment of the other directors for the interim appointment thereof to fill a vacancy or for the submission of such proposals to a decision by the shareholders at the General Shareholders’ Meeting, as well as the proposals for re-election or removal of such directors by the shareholders at the General Shareholders’ Meeting.

   g) Report on and make proposals for appointment to internal positions on the Board of Directors and proposals relating to the appointment of the members that must make up each of the committees, verifying and confirming compliance with the requirements of expertise and experience in connection with the powers of the committee in question and, in particular, those of the Audit and Risk Supervision Committee.

   h) Establish and supervise an annual programme for continuous evaluation and review of the qualifications and, if applicable, independence of the directors, as well as of ongoing compliance thereby with the requirements of respectability, capability, expertise, competence, availability and commitment to their duties as directors and as members of a given committee, and propose to the Board of Directors such
measures as it deems advisable in this regard, with the power to collect any information or documenta-
tion that it deems necessary or appropriate for such purposes.

i) Examine and organise the succession of the chairman of the Board of Directors and of the chief execu-
tive of the Company and, if applicable, make proposals to the Board of Directors for such succession to
occur in an orderly and well-planned fashion, in accordance with the succession plan approved by the
Board of Directors.

j) Supervise the process of selecting candidates for senior officers of the Company and report on the pro-
posals of the Company’s chief executive regarding the appointment or removal of the senior officers.

k) Report on or prepare the Company’s proposals regarding the appointment or removal of the independ-
ent directors of the country subholding companies as well as of the companies within the Group and of
those in which it has an interest and whose direct or indirect owner is not a country subholding company,
without prejudice to respecting the independence and uniqueness (upon the terms provided by law) of
those that are listed companies and have corporate governance rules that assign such powers to their
own appointments committee or equivalent body.

l) Issue such other reports and take such other actions as may also fall within its purview pursuant to the
Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

7. The chair of the committee may request, through the secretary of the Board of Directors, the attendance of
any director, officer or employee of the Group as well as of any member of the management decision-mak-
ing bodies of the companies in which the Company has an interest whose appointment has been proposed
by the Company, provided that there is no legal impediment thereto. The secretary of the Board of Directors
shall evaluate the suitability of the appearances requested based on the matters to be discussed, the pow-
ers of the committee, the identity of the person whose attendance is requested and the meeting schedules
of the corporate decision-making bodies from time to time in effect.

Article 33. Remuneration Committee

1. The Board of Directors shall create a permanent Remuneration Committee, which shall be an internal infor-
mational and consultative body without executive duties, with information, advisory and proposal-making
powers within its scope of action.

2. The 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 Committee, from among the
non-executive directors, and the majority thereof must classified as independent.

3. The Board of Directors shall appoint a chair of the Remuneration Committee from among the independent
directors forming part thereof, as well as its secretary, who need not be a director and who, in any event,
must comply with the directors’ obligations established in these Regulations that may apply due to the na-
ture thereof.

4. The Board of Directors shall endeavour to ensure that the members of the Remuneration Committee have
such expertise, qualifications and experience as are required by the duties they are called upon to perform.

5. Members of the Remuneration Committee shall be appointed for a maximum term of four years, and may be
re-elected on one or more occasions for terms of the same maximum length.

6. The Remuneration Committee shall have the powers set forth in law, in its own regulations, and in any event
the following:

a) Propose to the Board of Directors the policies on remuneration of the directors and senior officers and
periodically review them, proposing any amendment and update thereof to the Board of Directors.

b) Propose to the Board of Directors the system and amount of annual director remuneration, as well as
the individual remuneration of executive directors and other basic terms of their contracts, including any
compensation or indemnification payable in the event of removal, in any event pursuant to the provisions
of the Corporate Governance System and the director remuneration policy approved by the sharehold-
ers at the General Shareholders’ Meeting.

c) Report on and submit to the Board of Directors the proposals of the Company’s chief executive regarding
the structure of the remuneration payable to senior officers and the basic terms of their contracts.
d) Report on incentive plans and pension supplements for the Group’s workforce, excluding those of the listed country subholding companies and the subsidiaries thereof.

e) Conduct a periodic review of the general remuneration programmes for the Group’s workforce, evaluating the adequacy and results thereof.

f) Ensure compliance with the remuneration programmes of the Company and report on the documents to be approved by the Board of Directors for general dissemination regarding information on remuneration, including the Annual Director Remuneration Report and the applicable sections of the Company’s Annual Corporate Governance Report.

g) Issue such other reports and take such other actions as may also fall within its purview pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

7. The chair of the committee may also request, through the secretary of the Board of Directors, the attendance of any director, officer or employee of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto. The secretary of the Board of Directors shall evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the committee, the identity of the person whose attendance is requested and the meeting schedules of the corporate decision-making bodies from time to time in effect.

Article 34. Corporate Social Responsibility Committee

1. The Board of Directors shall create a permanent Corporate Social Responsibility Committee, an internal informational and consultative body without 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 Committee from among the non-executive directors, and the majority thereof must be classified as independent.

3. The Board of Directors shall appoint the chair of the Corporate Social Responsibility Committee from among the directors forming part thereof, as well as its secretary, who need not be a director and who, in any event, must comply with the directors’ obligations established in these Regulations that may apply due to the nature thereof.

4. The Board of Directors shall endeavour to ensure that the members of the Corporate Social Responsibility Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform.

5. The members of the Corporate Social Responsibility Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

6. The Corporate Social Responsibility Committee shall have the powers set forth in the regulations thereof, and in any event the following:

   a) Conduct a periodic review of the Corporate Governance System, with special emphasis on the Corporate Governance and Compliance Policies, and propose to the Board of Directors, for the approval thereof or for submission to the shareholders at a General Shareholders’ Meeting, such amendments and updates as may contribute to the development and ongoing improvement thereof.

   b) Monitor the Company’s corporate governance strategy.

   c) Monitor compliance with legal requirements and with the rules and regulations of the Corporate Governance System.

   d) Supervise the Company’s actions relating to corporate social responsibility and sustainability and report thereon to the Board of Directors and to the Executive Committee, as appropriate.

   e) Assess and review the Company’s plans implementing the Social Responsibility Policies and monitor the level of compliance therewith.

   f) Report on the conduct of general interest and corporate social responsibility activities by entities in the nature of foundations related to the Group to which such activities have been entrusted.
g) Monitor the Company’s actions relating to corporate reputation and report thereon to the Board of Directors and to the Executive Committee, as appropriate.

h) Report on the Company’s Annual Corporate Governance Report prior to the approval thereof, obtaining for such purpose the reports of the Audit and Risk Supervision Committee, the Appointments Committee and the Remuneration Committee with respect to the sections of such report that are within its powers, and the annual sustainability report.

i) Issue its prior opinion on the annual report on the effectiveness of the Group’s compliance system prepared by the Compliance Unit, and submit it to the Board of Directors.

j) Report on proposed amendments of the Regulations of the Board of Directors, the Regulations of the Compliance Unit and the Code of Ethics.

k) Receive information from the Compliance Unit regarding proposed amendments of the Code of Ethics and regarding any significant issue in connection with promoting awareness of and compliance with the Code of Ethics.

l) Use the Compliance Unit to review the Company’s internal policies and procedures in order to prevent improper conduct and identify policies or procedures that may be more effective in promoting the highest ethical standards.

m) Review and validate the annual operating budget of the Compliance Unit, for submission thereof to the Board of Directors through the chairman of the Board, as well as its annual activity plan, endeavour to ensure that the Compliance Unit has the material and human resources required to discharge its duties.

n) Issue such other reports and take such other actions as may also fall within its purview pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

7. The chair of the committee may also request, through the secretary of the Board of Directors, the attendance of members of the Foundations Committee of the Iberdrola Group, of any director, officer, or employee of the Group, of any member of the management decision-making bodies of the companies forming part of the Group whose appointment has been proposed by the Company, and of any director, officer, or employee of entities in the nature of foundations related to the Group, provided there is no legal impediment thereto. The secretary of the Board of Directors shall evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the committee, the identity of the person whose attendance is requested and the meeting schedules of the corporate decision-making bodies from time to time in effect.
4. Notice of the call shall be given as much in advance as is necessary, and in any event not later than the third day prior to the date of the meeting, except in the case of emergency meetings, and shall include an agenda unless dispensed with on duly justified grounds.
5. Any information deemed necessary for the proper preparation of and deliberation at the meetings shall be sent or made available through the directors’ website together with the call to meeting.
6. The meetings of the Board of Directors may be cancelled or suspended, or the date, agenda or place thereof changed, using the same procedure.
7. Extraordinary and urgent meetings of the Board of Directors may be called when the chairman of the Board of Directors deems it justified in the circumstances, by any means allowing for receipt of the call to meeting, and the requirements and formalities for the call to meetings mentioned in the preceding sections of this article shall not apply in such case if the circumstances so require in the opinion of the chairman.
8. The chairman of the Board of Directors shall decide on the agenda for the meeting. Any director may submit a request to the chairman of the Board of Directors for the inclusion of matters in the agenda, and the latter shall be required to include them when such request has been made not less than two days in advance of the date set for the meeting. The express consent of a majority of the directors present at the meeting shall be required to submit to the Board of Directors the approval of resolutions not included on the agenda.
9. Without prejudice to the foregoing, the Board of Directors shall be deemed to have validly met without the need for a call if all of the directors are present in person or by proxy and unanimously agree to hold the meeting and to the items of the agenda to be dealt with.
10. Voting by the Board of Directors may occur in writing without a meeting provided that no director objects thereto. In this instance, the directors may deliver to the secretary of the Board of Directors, who shall act on behalf of the chairman, their votes and the considerations they wish to appear in the minutes, using the same methods provided for the call of meetings. Resolutions adopted using this procedure shall be recorded in minutes prepared pursuant to the provisions of law.

Article 36. Place of Meetings
1. Meetings of the Board of Directors shall be held at the place designated in the call to meeting.
2. Meetings of the Board of Directors may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among them and participation in discussion and the casting of votes, all in real time.
3. The directors in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Board of Directors. The meeting shall be deemed to have been held where the largest number of directors is located and, if they are in equal numbers, where the chairman or whoever performs the duties thereof is located.

Article 37. Conduct of Meetings
1. In order for resolutions of the Board of Directors to be valid, at least a majority of the directors must be present at the meetings at which they are adopted, in person or by proxy.
2. The directors must attend the meetings of the Board of Directors and, when unable to attend in person, must give a proxy to another director, together with appropriate instructions. Non-executive directors may only give a proxy to other non-executive directors. They may not grant a proxy in connection with matters in respect of which the director is in any conflict of interest situation. The proxy granted shall be a special proxy for each meeting of the Board of Directors, and may be communicated by any of the means provided for the call of meetings.
3. When so required by the circumstances, the chairman of the Board of Directors may adopt any measures necessary to ensure the confidentiality of the deliberations and of the resolutions adopted during the meetings of the Board of Directors.
4. The chairman may invite all those who can help improve the information provided to the directors to attend the meetings of the Board of Directors.
5. Resolutions shall be adopted by absolute majority of votes cast in person or by proxy, unless other majorities are provided by law or the Corporate Governance System. In the event of a tie, the chairman of the Board of Directors shall have the tie-breaking vote.
6. Notwithstanding the foregoing:
   a) The permanent delegation of powers and the appointment of directors to exercise such powers, as well as approval of the contracts the Company signs with the executive directors, shall require the favourable vote of at least two-thirds of the directors.
   b) An amendment of these Regulations shall require the favourable vote of at least two-thirds of the directors represented in person or by proxy at the meeting.

7. If directors or the secretary state their concern regarding a proposal or, in the case of directors, regarding the status of the Company, and such concerns are not resolved at the meeting of the Board of Directors, a description thereof shall be reflected in the minutes at the request of those stating their concerns.

8. The minutes shall be approved by the Board of Directors at the end of the meeting or at the next meeting. In this latter case, any portion of the minutes may be approved at the end of the corresponding meeting, provided that the text to which it refers has been published on the directors’ website prior to the meeting or has been read aloud prior to the adjournment of the meeting.

**TITLE VII. DIRECTOR REMUNERATION**

**Article 38. Director Remuneration**

1. Directors shall have the right to receive the remuneration to which they are entitled pursuant to the resolutions adopted by the Board of Directors in accordance with the provisions of the By-Laws and the director remuneration approved by the shareholders at the General Shareholders’ Meeting, upon the terms provided by law.

2. The Board of Directors shall ensure that the remuneration payable to the directors is commensurate with the remuneration paid at similarly-sized companies carrying on similar business in the market and that it takes into account their dedication to the Company.

3. In addition, the Board of Directors shall ensure that the amount of the remuneration of non-executive directors is such that it provides incentives to their dedication while not risking their independence. The Board of Directors shall approve the contracts governing the remuneration of the executive directors, in accordance with the provisions of law. The contracts shall describe the items for which the directors may obtain remuneration for the performance of executive duties, and shall include any potential severance payment for the early removal from such duties and the amounts to be paid by the Company for insurance premiums or contributions to savings schemes. A director may not receive any remuneration for the performance of executive duties if the amounts or items thereof are not provided for in such contract. The approved contract must be attached as an annex to the minutes of the meeting.

4. Remuneration that is tied to the results of the Company shall take into account any qualifications contained in the audit report that reduce such results.

5. The Board of Directors shall prepare the *Annual Director Remuneration Report* on an annual basis upon the terms provided by law, and which shall be made available to the shareholders upon the call to the Annual General Shareholders’ Meeting and shall be submitted to a consultative vote as a separate item on the agenda.

**TITLE VIII. INFORMATION TO DIRECTORS**

**Article 39. Powers of Information and Inspection**

1. A director shall have the broadest powers to obtain information regarding any aspect of the Company, to examine its books, records, documents and other background information on corporate transactions, to inspect all of its facilities and to communicate with the senior officers of the Company.

2. The exercise of the aforementioned powers shall first be channelled through the secretary of the Board of Directors, who shall act on behalf of the chairman.

3. In order to improve their knowledge of the Group, presentations may be made to the directors in connection with the business that it is engaged in. In addition, at each meeting of the Board of Directors, a specific portion of the meeting may be devoted to a presentation on matters that are significant for the Group.
4. The Company shall make available to the directors a specific software application (directors’ website) to facilitate the performance of their duties and the exercise of their powers of information, as well as access to training materials addressed to the directors. Such information as is deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof, in accordance with the agenda included in the calls to meeting, as well as materials relating to director training programmes and the presentations mentioned in the preceding section, shall be posted on the directors’ website. Generally, the communications and forms that the directors must deliver to the Company shall be sent through the directors’ website. Said communications and forms shall have the same effects as if an original signed copy had been sent. In addition, the directors shall be given access through the directors’ website to the minutes of the meetings of the Board of Directors and the committees thereof, as well as such other information that the Board of Directors resolves to include.

All of the foregoing is deemed to be without prejudice to the measures that may be necessary or appropriate to adopt in order to maintain the confidentiality of the information included in the directors’ website.

**Article 40. Assistance of Experts**

1. In order to be assisted in the performance of the duties entrusted thereto, any director may request the hiring of legal, accounting, technical, financial, commercial or other expert advisers, whose services shall be paid for by the Company. The assignment must deal with specific issues of certain significance and complexity arising during the performance of the director’s duties.

2. The request for an expert to be hired shall be channelled through the secretary of the Board of Directors, who may subject it to the prior approval of the Board of Directors; such approval may be denied in well-founded instances, including the following circumstances:
   a) That it is not necessary for the proper performance of the duties entrusted to the directors.
   b) That the cost thereof is not reasonable in light of the significance of the issues and the assets and income of the Company.
   c) That the technical assistance sought may be adequately provided by the Company’s own experts and technical personnel.
   d) That it may entail a risk to the confidentiality of the information that must be made available to the expert.

**Title IX. Duties of Directors**

**Article 41. General Duties**

1. Directors must comply with the duties imposed by law and the Corporate Governance System. In particular, they shall act with the diligence of any ordinary businessman and the loyalty of a faithful representative, taking into account the nature of the position and the duties attributed to each of them, acting in good faith and in protection of the corporate interest.

2. In the area of strategic and business decisions, subject to business discretion, the standard of diligence of an ordinary businessman shall be deemed met if the director has acted in good faith without personal interest in the matter being decided, with sufficient information and pursuant to an appropriate decision-making process.

3. In particular, a director shall be obligated to:
   a) Properly prepare the meetings of the Board of Directors and, if applicable, the meetings of the Executive Committee or of the committees of which the director is a member, for which purposes the director must diligently become apprised of the running of the Company and the matters to be discussed at such meetings.
   b) Attend the meetings of the decision-making bodies and committees of which the director is a member and actively participate in the deliberations in order that the director’s opinion may be an effective contribution to decision-making.
c) Fulfil any specific obligation that is entrusted to the director by the Board of Directors, by the chairman of the Board of Directors, or by the chief executive officer, and that reasonably falls within the director’s scope of dedication.

d) Inquire into and inform the Board of Directors of any irregularities in the management of the Company of which the director has had notice, and monitor any situation of risk.

e) Propose a call to an extraordinary meeting of the Board of Directors or the inclusion of new matters in the agenda of the next meeting to be held, in order that deliberations may be conducted on such issues as the director deems advisable.

f) Oppose resolutions that are contrary to law, the Corporate Governance System, or the corporate interest, and request that such opposition be recorded in the minutes.

In particular, directors must clearly express their opposition if they believe that a proposed resolution submitted to the Board of Directors may be contrary to the corporate interest. In particular, independent directors and other directors not affected by a potential conflict of interest shall state for the record their opposition to resolutions that might cause prejudice to shareholders whose interests are not represented on the Board of Directors.

4. If the Board of Directors makes significant or repeated decisions on matters with respect to which a director has made serious reservations and such director tenders their resignation, the director must explain the reasons for their resignation in the letter referred to in article 21.2 above, without prejudice to compliance with the duties established by law and the Corporate Governance System.

Article 42. Duty of Confidentiality

1. A director shall keep confidential the deliberations and resolutions of the Board of Directors, of the Executive Committee and of the committees of which the director is a member and, in general, shall not disclose any information, data, reports or background information to which the director may have had access while in office, nor use any of the foregoing for the director’s own benefit, for the benefit of the shareholder, if any, that has proposed or made the director’s appointment, or of any other third party, without prejudice to the duties of transparency and information imposed by applicable law.

2. The obligation established in the preceding section shall not prevent the director from communicating confidential information to third parties in the performance of the duties entrusted to the director as such or the exercise of powers expressly delegated thereto by the Board of Directors or by the relevant committee, provided the duty of confidentiality of the recipient of the information is appropriately guaranteed, under the responsibility of the director, on the terms set forth by law.

3. A director’s duty of confidentiality shall survive even after the director no longer holds such position.

Article 43. Duty Not to Compete

1. A director may not be a director or officer of, or provide services to, another company or entity whose object is similar, in whole or in part, to the object of the Company or which is a competitor thereof or of any companies within the Group.

2. Excepted from the foregoing restriction are the duties that may be performed and the offices that may be held in companies belonging to the Group, in companies in which the director acts as a representative of the interests of the Group, and in companies in which any of the companies belonging to the Group has an interest and in which the director does not act as a representative of the interests of the Group, unless the Board of Directors, following a report from the Appointments Committee, believes that the Company’s interests are jeopardised.

3. The waiver of the duty not to compete may only be approved if no harm to the Company can be expected or if the harm expected is offset by the benefits expected to be obtained from the waiver. It shall be given, in those cases when so required by law, by the shareholders at the General Shareholders’ Meeting by means of an express resolution in a separate item of the agenda. In other instances, the waiver may be given by the Board of Directors, after a report from the Appointments Committee.

4. A director who ends the term of office to which the director was appointed or who, for any other reason, ceases to act as such, may not be a director or officer of, or provide services to, any entity whose object is similar, in whole or in part, to that of the Company or which is a competitor of the Company, for a term...
of two years. The Board of Directors may, if it deems it appropriate, relieve the outgoing director from this restriction or reduce it to a shorter period.

Article 44. Conflicts of Interest

1. Directors must adopt the measures necessary to avoid entering into conflict of interest situations pursuant to the provisions of law.

2. A conflict of interest shall be deemed to exist in those situations provided by law, particularly when the interests of the director, either for their own or another’s account, directly or indirectly conflict with the interest of the Company or of companies within the Group and their duties to the Company. An interest of a director shall exist when a matter affects the director or a person related thereto or, in the case of a proprietary director, when it also affects the shareholder or shareholders that proposed or caused the appointment thereof or persons directly or indirectly related thereto.

3. For purposes of these Regulations, the following shall be deemed persons related to the director:
   a) The director’s spouse or person related to the director by a like relationship of affection.
   b) The ascendants, descendants and siblings of the director or of the director’s spouse (or of a person with a like relationship of affection).
   c) The spouses of the director’s ascendants, descendants and siblings.
   d) The companies or entities in which the director or the director’s related persons, acting personally or through a third party, fall within any of the instances of control established by law.
   e) The companies or entities in which the director or any of the director’s related persons, acting personally or through a third party, hold a management position or from which they receive remuneration for any reason, provided that they also directly or indirectly exercise a significant influence on the financial and operating decisions of such companies or entities.

4. In the case of a corporate director, the following shall be deemed to be related persons:
   a) The shareholders who, in respect of the corporate director, fall within any of the cases of control established by law.
   b) The companies that form part of the same group, as such is defined by law, and the shareholders thereof.
   c) The individual acting as a representative, the directors, in fact or in law, and the liquidators of, and the representatives holding general powers of attorney granted by, the corporate director.
   d) Those persons who, in respect of the representative of the corporate director, are deemed related persons pursuant to the provisions of the preceding sub-section applicable to individuals acting as directors.

5. Without prejudice to the provisions of section 1 above, conflicts of interest shall be governed by the following rules:
   a) Communication: once a director becomes aware of being in a situation of conflict of interest, the director must give written notice of the conflict to the Board of Directors, in the person of the secretary thereof. The secretary shall periodically submit a copy of the notices received to the Appointments Committee, in the person of the secretary thereof. The notice shall contain a description of the situation giving rise to the conflict of interest, with a statement as to whether it is a direct conflict or an indirect conflict through a related person, in which case the latter person must be identified. The description of the situation must describe, as applicable, the subject matter and the principal terms of the transaction or the planned decision, including the amount thereof or an approximate financial assessment thereof. If the situation giving rise to the conflict of interest is a Related-Party Transaction (as this term is defined in article 48), the notice shall also identify the department or person of the Company or of any of the companies of the Group with which the respective contacts were made. Any question as to whether a director might be involved in a conflict of interest must be forwarded to the secretary of the Board of Directors, and the director must refrain from taking any action until it is resolved.
   b) Abstention: if the conflict arises from an operation, transaction, or circumstance that requires any kind of operation, report, decision, or acceptance, the director must refrain from taking any action until the Board of Directors studies the case and adopts and informs the director of the appropriate decision.
To this end, the director shall leave the meeting during the deliberation and voting on those matters in which the director is affected by a conflict of interest, and shall not be counted in the number of members attending for purposes of the calculation of a quorum and majorities.

At each meeting of the Board of Directors and of the committees thereof, the secretary shall remind the directors, before dealing with the agenda, of the abstention rule established in this article.

c) Transparency: whenever required by law, the Company shall report any cases of conflict of interest in which the directors have been involved during the financial year in question and of which the Company is aware by reason of notice given thereto by the director affected by such conflict or by any other means.

6. The secretary of the Board of Directors shall prepare a register of the conflicts of interest reported by the directors, which shall be continuously updated. The information contained in said register shall have the level of detail sufficient to allow for an understanding of the scope of each of the situations of conflict, and shall be made available to the Compliance Unit when it so requests, and shall also be made available to the Audit and Risk Supervision Committee when it so requests.

7. In those instances where the conflict of interest situation is, or may reasonably be expected to be, of a nature that constitutes a structural and permanent conflict between the director (or persons related thereto or, in the case of a proprietary director, the shareholder or shareholders that proposed or caused the director’s appointment or persons directly or indirectly related thereto) and the Company or the companies forming part of the Group, it shall be deemed that the director lacks, or has ceased to possess, the competence required to hold office.

8. The provisions of this article may be further developed through any appropriate rules that may be made by the Board of Directors.

Article 45. Use of Corporate Assets

1. A director may not use the Company’s assets or profit from the director’s position in the Company in order to obtain any financial benefit, unless arm’s length consideration has been paid and it is a standardised service.

2. On an exceptional basis, the Board of Directors, after a report from the Appointments Committee, may relieve the director from the obligation to provide such consideration, but in any such case, the financial benefit shall be deemed remuneration in kind and must conform to the director remuneration policy.

Article 46. Non-Public Information

1. A director may use non-public information of the Company for private purposes only if the following conditions are satisfied:
   a) That such information is not applied with respect to transactions for the purchase or sale of securities or financial instruments of the issuer to which the information directly or indirectly refers.
   b) That it does not place the director in a position of advantage vis-à-vis third parties, including suppliers and clients.
   c) That the use thereof does not cause any harm to the Company.
   d) That the Company does not own proprietary rights in, or have a similar legal position with respect to, the information that the director wishes to use.

2. In addition, the director shall observe the rules of conduct established in the legal provisions governing the securities markets and in the Corporate Governance System.

Article 47. Business Opportunities

1. A director may not take advantage of a business opportunity of the Company, either for the director’s own benefit or for the benefit of related persons, unless the investment or transaction has previously been offered to the Company, the Company has chosen not to take advantage of it without any pressure from the director, and the director has been authorised by the Board of Directors to profit from the transaction, following a report from the Appointments Committee.

2. A business opportunity shall be deemed to be any possibility of making an investment or a business transaction that has arisen or has been discovered in connection with the director’s performance of duties as such,
or through the use of means and information belonging to the Company, or in circumstances such that it is reasonable to believe that the third party’s offer was in fact addressed to the Company.

3. Likewise, a director shall not use the Company’s name and shall not invoke the position thereof as director of the Company in order to carry out transactions for the director’s own account or for the account of related persons.

**Article 48. Transactions by the Company with Directors and Significant Shareholders**

1. Any transaction by the Company or the companies forming part of its Group with directors, with shareholders that directly or indirectly own a shareholding interest that is equal to or greater than that legally regarded as significant at any time or that have proposed or caused the appointment of any of the directors of the Company, or with the respective related persons (“Related-Party Transactions”), shall be subject to the approval of the Board of Directors, or in urgent cases, of the Executive Committee, following a report from the Appointments Committee.

2. In the event that authorisation has been granted by the Executive Committee due to the urgency of the matter, the Executive Committee shall give notice thereof at the next meeting of the Board of Directors in order for it to be ratified.

3. The authorisation of Related-Party Transactions must be approved by the shareholders at the General Shareholders’ Meeting in the instances provided by law, and particularly if it relates to a transaction having a value of more than ten per cent of the corporate assets.

4. As an exception, Related-Party Transactions with any of the listed companies of the Group or with the subsidiaries thereof shall not be subject to the provisions of this article, provided that they have corporate governance rules similar to those of the Company.

5. The execution of a Related-Party Transaction puts the director engaging in said transaction or who is related to the person engaging in the transaction in a conflict of interest, for which reason the provisions of article 44 above shall apply, to the extent applicable.

6. The Board of Directors, through the Appointments Committee, shall ensure that Related-Party Transactions are carried out under arm’s length conditions and with due observance of the principle of equal treatment of shareholders in the same situation. In the case of transactions to be carried out by companies of the Group, the scope of authorisation of the Board of Directors, or that of the Executive Committee, if applicable, referred to in the preceding sections, shall be circumscribed to the verification of compliance with such particulars.

7. In the case of customary and recurring Related-Party Transactions in the ordinary course of business, it shall be sufficient for the Board of Directors to give prior generic approval of the kind of transaction and of the conditions for performance thereof, following a report from the Appointments Committee.

8. If a Related-Party Transaction entails the successive performance of different transactions, of which the second and subsequent transactions are mere acts of execution of the first transaction, the provisions of this article shall only apply to the first transaction carried out.

9. The authorisation shall not be required in connection with transactions that simultaneously satisfy the following three conditions: that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a large number of customers; that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; and that the amount thereof does not exceed one percent of the consolidated annual income of the Group.

10. The Company shall report Related-Party Transactions in the Half-Yearly Financial Report and in the Annual Corporate Governance Report, in the cases and to the extent provided by law. Likewise, the Company shall include in the notes accompanying the annual accounts information regarding the transactions by the Company or by the companies of the Group with the directors and with those persons who act for the account of the latter when such transactions are conducted other than in the ordinary course of the Company’s business or other than under normal arm’s length conditions.

To this end, the directors must give written notice to the secretary of the Board of Directors, on a semi-annual basis, within the first week of January and July of each year, regarding the Related-Party Transactions that they have engaged in. If they are not carried out, the directors shall so report. The secretary of the Board of
Directors shall send a notice to the directors on a semi-annual basis requesting the appropriate information that must be sent to the Company.

11. The notice must include the following information: the nature of the transaction; the date on which the transaction originated; the conditions and periods for payment; the name of the person who carried out the transaction and the relationship, if any, with the director; the amount of the transaction; and other aspects, such as pricing policies, guarantees given and received, and any other feature of the transactions that allows for a proper assessment thereof, particularly such information as allows for verification that it has been carried out on arm’s length conditions and in compliance with the principle of equal treatment.

12. The secretary of the Board of Directors shall prepare a register of Related-Party Transactions. The information set forth in such register shall be made available to the Compliance Unit when it so requests, and shall also periodically be made available to the Audit and Risk Supervision Committee through the Internal Audit Area Division.

13. The provisions of this article may be further developed through any appropriate rules that may be made by the Board of Directors.

Article 49. Duty to Disclose Information

1. A director must report to the Company, through the secretary of the Board of Directors, any situation of direct or indirect conflict that the director or persons related thereto may have with the interests of the Company.

2. A director must also disclose to the Company:
   a) All positions the director holds at and services the director provides to other companies or entities, as well as the director’s other professional commitments. In particular, before accepting office as director or officer at another company or entity (except for the positions the director is called upon to hold at companies belonging to the Group or at other companies in which the director represents the interests of the Group), the director must give prior notice thereof to the Appointments Committee.
   b) Any substantial change in the director’s professional status that may affect the condition or capacity by virtue of which the director may have been appointed as director.
   c) Any judicial, administrative or other proceedings instituted against the director which, because of their significance or characteristics, may seriously reflect upon the reputation of the Company. In particular, every director must inform the Company, through the secretary of the Board of Directors, in the event that the director is subject to an investigation, arrested, or an order for the commencement of an oral criminal trial is issued against the director for the commission for any crime, and of the occurrence of any significant procedural steps in such proceedings. In such instance, the Board of Directors shall review this circumstance as soon as practicable and, following a report of the Appointments Committee, shall adopt the decisions it deems fit taking into account the interests of the Company.
   d) In general, any fact or event that may be relevant to the holding of office as a director of the Company.

3. Directors shall provide the Company with an e-mail address as well as a mobile telephone number such that meetings of the Board of Directors and of the committees of which they are members may be called by those means, if so decided, and the corresponding information, if any, may so be provided to them.

Article 50. Extension of Director’s Duties

The duties prescribed in this title of these Regulations in connection with the relations between the directors and the Company shall also be deemed applicable by analogy to their potential relations with companies of the Group.

Likewise, the obligations referred to in this title of the Regulations shall be binding on the individuals representing corporate directors.
TITLE X. INFORMATION AND RELATIONSHIPS

Chapter I. Information

Article 51. Annual Corporate Governance Report
1. The Board of Directors shall, on an annual basis, approve a corporate governance report for the Company that shall include all specifications established by law and any others that the Board of Directors deems appropriate to include therein.
2. The approval of the Company’s Annual Corporate Governance Report must also be preceded by:
   a) A report of the Corporate Social Responsibility Committee.
   b) A report of the Audit and Risk Supervision Committee as regards information on the risk supervision systems.
   c) A report of the Appointments Committee as regards information on the directors and senior officers.
   d) A report of the Remuneration Committee as regards the remuneration of the directors and senior officers.
3. The Annual Corporate Governance Report of the Company shall be included in a separate section of the Management Report and shall therefore be approved together therewith and shall be made available to the shareholders together with the other documents relating to the Annual General Shareholders’ Meeting.
4. Public notice shall be given of the Annual Corporate Governance Report of the Company as provided in securities market rules and regulations.

Article 52. Corporate Website
1. The Company maintains a corporate website, envisaged as an instrument for channelling its relations with shareholders and investors, as well as the other stakeholders, 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 that the Board of Directors, through its secretary, deems appropriate.
   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.
   c) Full or summarised versions of the rules making up the current Corporate Governance System are published.
3. The structure of the corporate website shall be determined by the provisions of the General Corporate Governance Policy and the other internal rules of the Company.
4. Without prejudice to the foregoing, the secretary of the Board of Directors shall decide the information that must be included in the Company’s corporate website, and is responsible for the update thereof. The secretary of the Board of Directors shall report to the Board of Directors on the exercise of this power.

Chapter II. Relationships

Article 53. Principle of 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 54. Relationships with the Shareholders
1. The Board of Directors shall foster continuous and appropriate information for its shareholders, permanent contact therewith, and their involvement in corporate life, establishing the channels for participation through which the Company shall procure their engagement, with the appropriate guarantees and coodination mechanisms.
   In particular, it shall establish the appropriate channels to hear proposals that the shareholders may make in connection with the Company, in accordance with the law and the Corporate Governance System.
2. The Board of Directors shall facilitate exercise of their rights by the shareholders and the performance of the duties established by law and, to the extent applicable thereto, in the Company’s Corporate Governance System.
In particular, the Board of Directors shall adopt appropriate measures to encourage maximum participation of the shareholders at the General Shareholders’ Meeting.

3. The Board of Directors, assisted by such senior officers as it deems appropriate, may organise meetings for the provision of information on the progress of the Company and of its Group with shareholders and investors.

4. In its relationships with the shareholders, the Board of Directors shall guarantee the application of the principle of equality of treatment of the shareholders who are in the same situation.

5. The Board of Directors may establish appropriate mechanisms for the regular exchange of information with those shareholders that are holders of a significant and stable financial interest in the Company, regardless of whether or not they are represented on its Board of Directors. These mechanisms shall in any event take into account the existence of potential conflicts of interest and may not involve the provision to such shareholders of any information that might place them in a privileged or advantageous position vis-à-vis the other shareholders.

6. All public requests for delegation of voting powers made in favour of any director shall disclose, where applicable, the existence of a conflict of interest with the director or with a significant shareholder and shall specify the direction in which the representative shall vote in the event that no instructions are given by the shareholder, all subject to the provisions of law and of the Corporate Governance System.

Article 55. Relationships with the Securities Markets

1. The Board of Directors shall immediately inform the public regarding:
   a) Significant events (hechos relevantes).
   b) All changes in the Company’s ownership structure, such as fluctuations in significant direct or indirect interests and private shareholders’ agreements (pactos parasociales) of which the Board has had notice.
   c) All substantial amendments to the Company’s governance rules and regulations.
   d) The treasury share policy, if any, that the Company intends to pursue on the basis of approvals obtained from the shareholders at the General Shareholders’ Meeting.
   e) All changes to the composition and to the rules of organisation and operation of the Board of Directors and the committees thereof, or to the duties and positions of each director in the Company, as well as any other modification relevant to the Corporate Governance System.

2. The Board of Directors shall adopt appropriate measures to ensure that the semi-annual, quarterly, and any other financial information that it may be prudent to make available to the securities markets is prepared in accordance with the same principles, standards, and professional practices used to prepare the annual accounts and is as reliable as such accounts. For this latter purpose, such information shall be reviewed by the Audit and Risk Supervision Committee.

3. The Board of Directors shall prevent its conduct from influencing the free formation of the price of the securities issued by the Company and, if applicable, of the shares of the companies forming part of its Group.

Article 56. Relationships with the Auditors

1. The Board of Directors shall establish an objective, professional, and ongoing relationship with the Company’s auditors, and shall have the utmost respect for their independence.

2. The Board of Directors shall meet with the auditors at least once per year in order to receive information regarding the work performed and regarding the accounting status and risks of the Company.

3. The relationship referred to in the preceding section shall be channelled, as a rule, through the Audit and Risk Supervision Committee.

4. The Audit and Risk Supervision Committee shall ensure that the fees of the auditors comply with the provisions of the laws on auditing of accounts.

5. The Audit and Risk Supervision Committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders’ Meeting, for appointment of an audit firm as the Company’s auditor if it has evidence that such firm is affected by any circumstance of lack of independence, prohibition, or disqualification pursuant to the legal provisions governing the audit of accounts, and in any event if the fees that the Company intends to pay it for any and all services are greater than five percent of its total domestic income during the last financial year.
6. The Board of Directors shall make public the fees that the Company has paid to the audit firm, both in consideration for audit services and for services other than auditing, specifying the fees paid to the auditors and those paid to any company forming part of the same group of companies to which the auditor belongs or to any other company to which the auditor is related under a relationship of joint ownership, management or control.

7. The Board of Directors shall use its best efforts to definitively prepare the accounts such that there is no room for qualifications by the auditors. However, when the Board of Directors believes that its opinion must prevail, it shall provide a public explanation of the content and scope of the discrepancy.

Article 67. Relationships with Senior Officers of the Company

Relations between the Board of Directors and the Company’s senior officers, as provided in these Regulations, must be channelled through the chairman of the Board of Directors or the chief executive officer or, in the absence thereof, through the secretary of the Board of Directors.
IV. Directors’ Code of Ethics

23 February 2016

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Article 1. Purpose
The directors of IBERDROLA, S.A. (the "Company") must comply with the obligations and duties established by law and in the Corporate Governance System, and their conduct as directors must conform to the ethical principles and duties inherent to the Mission, Vision, and Values of the Iberdrola group. This Directors’ Code of Ethics, approved by the Board of Directors, forms part of the Corporate Governance System and is one of the internal Codes and Procedures. It sets forth the ethical principles that are to govern all action by directors and the ethical duties that they undertake to observe in their capacity as members of the Board.

Article 2. Scope of Application
The Directors’ Code of Ethics binds all of the directors, including the individuals appointed to represent legal entities, who have the duty to be apprised of and comply with the Code. For such purposes, the Secretary of the Board of Directors shall provide them with a copy of the Directors’ Code of Ethics, delivery of which they shall confirm by written receipt; the Secretary of the Board of Directors shall also include the Code on the Directors’ website and shall publish it on the Company’s corporate website. Compliance with the Directors’ Code of Ethics is understood to be without prejudice to strict compliance with the provisions of law and of the other documents making up the Company’s Corporate Governance System and, in particular, the Regulations of the Board of Directors and the Internal Regulations for Conduct in the Securities Markets and the regulations thereunder.

Article 3. Ethical Principles
The ethical principles that are to govern all action by directors are:

a) Strict compliance with the law and with the Corporate Governance System.

b) Commitment to and involvement with human and labour rights.

c) Protection of the environment.

d) Non-discrimination by reason of race, colour, nationality, social origin, age, gender, marital status, sexual orientation, ideology, political opinion, religion or any other personal, physical or social condition of its professionals, as well as equal opportunity among them.

e) Reconciliation of work and family life.

f) Occupational safety and health, which entails ensuring that physical conditions do not pose a risk to human physical safety or health.

g) Rigorous and objective selection and evaluation, as well as training, of the professionals of all of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the "Group").

h) Respect for the legitimate public or private interests that converge in the conduct of the Group’s business activities, particularly those of the various stakeholders, those of the communities and territories in which the Group does business, and those of its employees.

These ethical principles shall be construed and applied in furtherance of the corporate interest, understood as the common interest of all the 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.

Article 4. Qualities of a Director
The directors of the Company must be respectable and capable persons with recognised expertise, competence, experience, qualifications, training, availability and commitment to their duties. Directors must also distinguish themselves by their professionalism and integrity, which must translate into transparent, diligent, responsible, efficient, professional, loyal, honest, good-faith and objective conduct, in line with the values of excellence, quality and innovation in furtherance of the corporate interest. Directors have the duty to cultivate the above-mentioned qualities and capabilities.

Article 5. Ethical Duties
As an expression of the integrity required of directors of the Company, they shall comply with the following ethical duties in the performance of their tasks:
a) Directors may not give or accept gifts or presents in the performance of their activities as directors other than, on an exceptional basis, gifts that are of insignificant or symbolic economic value, correspond to signs of courtesy or to customary business gifts and tokens and are not forbidden by law, by the Corporate Governance System or by generally accepted business practices.

b) Directors may not, directly or through nominees, offer or grant, or solicit or accept, unjustified advantages or benefits that are intended to obtain a benefit for the Group, for themselves or for a third party.

c) Directors are also not allowed to receive money from customers or suppliers on a personal level, not even as a loan or advance, the foregoing being independent of loans or credits granted by financial institutions that are customers or suppliers of the Group.

d) Directors may not accept any kind of hospitality that influences, might influence or might be construed as influencing decision-making.

e) The provision of services by directors as employees or professionals, for their own account or for the account of another, to companies or entities other than the Group, as well as engaging in academic or similar activities, shall be reported and, if required, authorised in the manner established by the Corporate Governance System.

f) While the Company respects the performance of social, public or other unpaid activities by its Directors, such activities must not interfere with their duties and responsibilities as directors.

g) The connection, membership, or collaboration by directors with or in government administrations, public organisations and entities, government-owned companies, political parties or other kinds of public-purpose entities, institutions or associations shall be such that the strictly personal nature thereof is clear, thus avoiding any connection with the Group.

h) Directors shall make responsible use of the resources and means made available to them by the Company, using them solely for professional activities in the interest of the Group.

i) The Company owns and holds the right to use and operate the computer software, presentations, projects, studies, reports and other works and rights created, developed or used by its directors within the framework of their professional activities or based on the Group’s information technology systems.

j) Directors shall respect the principle of confidentiality in respect of the nature of the rights, licenses, software, systems and technological knowledge in general owned by the Group or which it has the right to operate or use.

k) The use of the information technology equipment, systems and software and of the passwords made available by the Group to directors for the performance of their work, including the facility of accessing and operating on the Internet and the directors’ website, shall conform to standards of security and efficiency, excluding any use, action or software function that is unlawful or contrary to the Group’s regulations or instructions or that compromises the confidentiality of the information of the Group to which they have access.

l) Directors shall not operate, reproduce, replicate or assign the Group’s information technology systems or applications for purposes unrelated thereto. In addition, directors shall not install or use on the computer equipment provided by the Group software or applications the use of which is unlawful or that might damage the systems or prejudice the image or the interests of the Group, its customers or third parties.

m) Directors shall, in all their business, professional or private activities, avoid any action or decision that might violate the law or the Corporate Governance System in connection with related-party transactions, significant transactions, business opportunities, use of corporate assets, other cases of conflict of interest, relations with shareholders, employees, customers, vendors and suppliers of the Group, competitors and the media.

n) The directors identify with the Company’s commitment to create value for its shareholders on a continuous and sustained basis and with the long-term success of the Company, within the framework of the Corporate Policies and the principle of equal treatment of shareholders in the same situation.

o) Relations of directors with authorities, regulatory and supervisory entities and government administrations in general shall be conducted following the principles of cooperation and transparency. Specifically, transparency of information, particularly economic and financial information, is a basic principle that must govern the directors’ activities.
p) Relations of directors, in their capacity as such, with the media and with investors and financial analysts shall be channelled through such divisions and services of the Company as the Board of Directors and the Chairman thereof may determine.

q) Directors shall be committed to the principles of the General Corporate Social Responsibility Policy and those of a responsible corporate ethic that makes it possible to harmonise the creation of value for the shareholders with sustainable development, the main objectives of which are the protection of the environment, social cohesion, the development of a favourable framework for labour relations and ongoing communication with the various groups related to the Company.

r) Directors shall have the duty to report the commission by a director of any irregularity or of any act against the law, the Corporate Governance System or the rules of conduct laid down in this Directors’ Code of Ethics.

Article 6. Code of Ethics of the Company
The provisions contained in this Directors’ Code of Ethics must be interpreted consistently with the Code of Ethics of the Company.

The directors, as members of the main body responsible for management of the Company, undertake to manage and cause the Group to be managed, in all fields of endeavour, in accordance with the provisions of the Mission, Vision, and Values of the Iberdrola group and the Code of Ethics.

Article 7. Exemptions from Compliance
Any exemption from compliance with the provisions of this Directors’ Code of Ethics shall require approval of the Board of Directors after a report from the Appointments Committee.

Article 8. Approval and Amendment
The approval of this Directors’ Code of Ethics and any amendment of the contents hereof shall fall within the purview of the Board of Directors.
V. Regulations of the Audit and Risk Supervision Committee

21 June 2018

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TITLE I. NATURE, OBJECT, AND APPROVAL

Article 1. Nature and Object
1. Pursuant to the Corporate Governance System of IBERDROLA, S.A. (the “Company”), the Board of Directors establishes the Audit and Risk Supervision Committee (hereinafter, the “Committee”), a permanent internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action and which shall be governed by the provisions set forth in the By-Laws, in the Regulations of the Board of Directors, and in these Regulations of the Audit and Risk Supervision Committee (the “Regulations”).
2. The object of these Regulations is to favour the independence of the Committee and to determine the principles of conduct and the rules of internal operation thereof, without prejudice to the powers of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).
3. These Regulations have been prepared taking into account the good governance recommendations generally accepted in international markets and form part of the Corporate Governance System.

Article 2. Approval, Amendment, and Priority
1. These Regulations must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors, or of the Committee itself.
2. Any amendment hereof must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors or of the Committee itself.
3. These Regulations further develop and supplement the provisions of the By-Laws and of the Regulations of the Board of Directors applicable to the Committee. The latter provisions shall prevail in the event of conflict with the former.

TITLE II. POWERS

Article 3. Powers
The Committee shall have the following main functions:

a) Conduct a periodic review of the Risk Policies on at least an annual basis and, if it so deems appropriate, propose the amendment and update thereof to the Board of Directors.

b) Approve the auditor contracting policy establishing the procedure for the selection and contracting of the Company’s auditor, the relations therewith, the circumstances that might affect the independence thereof, and the instruments required to ensure the transparency of such relationship.

c) Report to the shareholders at the General Shareholders’ Meeting with respect to the matters raised therein by the shareholders on matters within its purview, and particularly with respect to the results of the audit of the annual accounts, explaining how it has contributed to the integrity of the financial information, and the role that the Committee has played in such process.

d) Monitor the effectiveness of internal control at the Company and within its Group, as well as of their system for managing risks.

e) Together with the auditors, analyse significant weaknesses in the internal control system detected during the audit, all without infringing upon the independence thereof. To this end, if appropriate, it may submit recommendations or proposals to the Board of Directors and the corresponding follow-up period.

f) Supervise the process of preparing and presenting regulated financial information relating to the Company, both individual and consolidated with its subsidiaries, reviewing compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting standards, and submit recommendations or proposals to the Board of Directors to safeguard the integrity thereof. This supervisory work of the Committee must be carried out continuously, and also performed specifically at the request of the Board of Directors.

g) Propose to the Board of Directors for submission to the shareholders at a General Shareholders’ Meeting the appointment, re-election, or replacement of the auditors, as well as the terms for the hiring thereof, in accordance with applicable legal provisions, and regularly receive therefrom information regarding the audit
plan and the implementation thereof, in addition to preserving the independence thereof in the performance of its duties.

h) Supervise the activities of the Internal Audit Area, which shall be functionally controlled by the Committee.

i) Authorise in advance the non-audit services that the Company’s audit firm, or the persons or entities connected thereto pursuant to the provisions of the law on auditing of accounts, will provide to companies of the Group, as provided by law.

In order for the Committee to authorise the provision of said services, it must assess whether the audit firm is the most appropriate firm to provide them based on its knowledge and experience, and in this case shall analyse: (i) the nature thereof and the circumstances and context in which it occurs, (ii) the status, position or influence of the provider of the service and other relations thereof with the Company; (iii) the effects thereof; and (iv) whether said services could threaten the independence of the auditor and, if applicable, the establishment of measures eliminating or reducing these threats to a level that does not compromise the independence thereof.

It must also assess the remuneration for the non-audit services, individually or as a whole, compared to the remuneration for audit services and the parameters used by the audit firm to determine its own remuneration policy.

j) Establish appropriate relationships with the auditors to receive information regarding matters that might entail a threat to the independence thereof, for examination by the Committee, and any other information related to the development of the audit procedure, as well as such other communications as are provided for in the laws on auditing of accounts and in other legal provisions on auditing.

In any event, it must receive written confirmation from the auditors on an annual basis of their independence in relation to the Company or entities directly or indirectly related thereto, as well as a detailed breakdown of information on additional services of any kind provided to and the corresponding fees received from such entities by such auditors or persons or entities related thereto, pursuant to the legal provisions governing the auditing of accounts.

k) On an annual basis, prior to the audit report, issue a report containing an opinion on whether the independence of the auditors is compromised, which shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting. This report shall contain a reasoned assessment of the provision of each and every one of the additional services other than the legal audit referred to in the preceding letter, considered individually and as a whole, and in relation to the rules on independence or the legal provisions regarding the auditing of accounts.

l) Report in advance to the Board of Directors regarding the financial information that the Company must disclose on a regular basis because of its status as a listed company, making sure that the interim financial statements are prepared in accordance with the same accounting standards as the annual accounts and, for such purpose, it shall consider the appropriateness of a limited review by the auditors.

m) Report to the Board of Directors, prior to the Board’s decision thereon, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens.

n) Report to the Board of Directors, prior to the Board’s decision thereon, regarding the creation or acquisition of interests in special purpose entities as well as regarding any other transactions or operations of a similar nature that, due to the complexity thereof, might diminish the transparency of the Group.

By way of exception, the transactions described in letters m) and n) above shall not be subject to a prior report from this Committee when they are carried out by listed country subholding companies of the Group or subsidiaries thereof.

o) Report on the structural modifications and corporate transactions to be undertaken by the Company, analysing the economic terms and conditions thereof, including if appropriate the exchange ratio as well as the accounting impact thereof.

p) Issue such other reports and take such other actions as may also fall within its power pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

**Article 4. Powers regarding the Internal Audit Area**

In this regard, the Committee shall have the following main functions:

a) Ensure the independence and effectiveness of the Internal Audit Area and that it has sufficient resources and adequately qualified staff to carry out its duties most efficiently.
b) Approve the direction and plans of the Internal Audit Area, ensuring that it exercises its powers proactively and that its activities are mainly focused on significant risks to the Company and its Group, as well as receive periodic information regarding the activities carried out by the Internal Audit Area.

c) Evaluate the operation of the Internal Audit Area and the performance of the director thereof, for which purpose the Committee shall obtain any opinion held by the chief executive. The evaluation shall be constructive and shall include an assessment of the level of compliance with targets and with standards for purposes of setting the variable components of the remuneration of the director of the Internal Audit Area, in which determination the Committee must also participate. The conclusions from the assessment made by the Committee must be communicated by the secretary thereof, through the secretary of the Board of Directors, to the director of the Internal Audit Area and to the Remuneration Committee, so that they may be properly taken into account when determining the remuneration thereof.

d) Verify, based on the corresponding reports of the Internal Audit Area, that senior officers take into account the conclusions and recommendations contained in its reports.

**Article 5. Powers regarding the Internal Control and Risk Management Systems**

In this regard, the Committee shall have the following main functions:

a) Directly supervise the unit vested with the power to actively participate in the preparation of the Company’s risk strategy and in significant decision affecting the management thereof.

b) Continuously review the internal control and risk management systems, such that the principal risks are properly identified, managed, and reported.

c) Supervise the effectiveness of the internal control and risk management systems, for which purpose it shall obtain reports from the managers thereof, from the Internal Audit Area and from any other person hired for this purpose, in order to arrive at a conclusion regarding the trustworthiness and reliability of the systems and, if appropriate, make potential proposals for improvement.

d) Obtain information regarding any significant deficiency in internal control that the auditor detects while carrying out its audit work.

e) Ensure that the Group’s risk control and management system identifies at least:

   (i) The different types of risk (operational, technological, financial, legal, reputational, etc.) facing the Company, including, among financial or economic risks, contingent liabilities and other off-balance sheet risks.

   (ii) The establishment and review of the risk map and levels that the Company deems acceptable.

   (iii) The measures planned in order to mitigate the impact of identified risks in the event that they materialise.

   (iv) The information and internal control systems that will be used to monitor and manage the aforementioned risks, including contingent liabilities and other off-balance sheet risks.

f) Maintain appropriate relationships with the Corporate Risk Division and with the audit and compliance committees of the other companies of the Group.

g) Promote (within the limits of its powers) a culture in which risk is a factor that is taken into account in all decisions and at all levels within the Company.

h) Identify and evaluate emerging risks, like those arising from technological, climactic, social and regulatory risks, as well as existing alert mechanisms, periodically evaluating the effectiveness thereof.

i) Obtain creditable information as to whether the most significant risks are managed and maintained within the tolerance figures that have been established, and evaluate the various risk tolerance levels established in the Risk Policies in order to, if appropriate, propose the adjustment thereof based on the information provided by the Company’s management, the director of the Internal Audit Area and the director of Risks.

j) At least annually, call a meeting with each of the heads of the businesses of the Group for them to report to the Committee on the trends of their respective businesses and the risks associated therewith, all without prejudice to the corporate and governance structure of the Group, pursuant to which each of the head of business companies directly and effectively manages the risks of its businesses.

k) Report in advance on the risks of the Group to be included in the Company’s Annual Corporate Governance Report and give notice thereof to the Board of Directors, through the Corporate Social Responsibility Committee, for an assessment of its conclusions.
Article 6. Powers regarding Auditing
In this regard, the Committee shall have the following main functions:

a) Approve, periodically review, and ensure compliance with the Auditor Contracting and Relations Policy and relations with the auditor.

b) Propose to the Board of Directors the appointment, re-election or removal of the auditor of the accounts of the Company and of the accounts of the Company consolidated with those of its Group, taking responsibility for the process followed for the selection thereof, pursuant to the provisions of law and the Auditor Contracting and Relations Policy.

c) Guide and propose to the competent governance bodies the appointment, re-election, or removal of the auditors of the other companies of the Group, unless they have corporate governance rules similar to those of the Company that assign such duties of guidance and proposal-making to their respective audit and risk supervision committees or similar bodies.

d) Ensure the independence of the auditors and that they are not affected by any circumstances of prohibition or disqualification and, for such purpose:
   (i) Verify that the Company and the auditor comply with applicable regulations regarding the provision of non-audit services, the limits on the concentration of the auditor’s business, the rules on professional fees, and, in general, all other regulations established in order to ensure the independence of the auditors.
   (ii) Establish an indicative ceiling on the fees that may be received each year by the auditor for non-audit services.
   (iii) In the event of resignation of the auditor, examine the circumstances that may have given rise thereto.
   (iv) On an annual basis and prior to the issuance of the audit report, issue a report setting forth an opinion on the independence of the auditors.
   (v) Ensure compliance with the prohibitions upon completion of the audit work as provided by law.

e) Review the contents of the audit reports on the accounts and of the reports on the limited review of interim accounts, if any, as well as other mandatory reports to be prepared by the auditors, prior to the issuance thereof, in order to avoid qualified reports.

f) Assess the results of each audit of accounts and supervise the response of senior officers to the recommendations made therein.

g) On an annual basis, evaluate the activities performed by the auditor pursuant to the provisions of the Auditor Contracting and Relations Policy.

h) Ensure that the auditor carrying out the audit of the annual accounts or of consolidated accounting documents assumes full responsibility for the audit report issued, even when the annual accounts of the companies in which the Company has an interest have been audited by other auditors.

i) Act as a channel of communication between the Board of Directors and the auditors, causing them to hold an annual meeting with the Board of Directors to report thereto on the work performed and the accounting and risk status of the Company.

j) Ensure that the Company reports any change of auditor to the National Securities Market Commission (Comisión Nacional del Mercado de Valores) as a significant event (hecho relevante) and reports on the potential existence of any disagreements with the outgoing auditor, and the nature thereof.

Article 7. Powers regarding the Process of Preparing Economic and Financial Information
In this regard, the Committee shall have the following main functions:

a) Supervise the process of preparation and submission and the clarity and integrity of the economic/financial, and related non-financial, information with respect to the Company and its Group, ensuring that the Half-Yearly Financial Reports and the quarterly management statements are prepared in accordance with the same accounting standards as the Annual Financial Reports and, for such purpose, it shall consider the appropriateness of a limited review of the Half-Yearly Financial Reports by the auditor.

In particular, based on available sources of internal information (including reports from the Internal Audit Area, reports from other areas or departments, or the analysis and opinion of the Company’s management team itself) and external information (including reports from experts or information received from the auditor), the Committee shall reach its own conclusion as to whether the Company has properly applied the accounting policies.
b) Ensure compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of such generally accepted accounting principles and international financial reporting standards as may be applicable with respect to the regulated economic and financial information relating to the Company and its Group.

c) Evaluate any proposal made by senior officers regarding changes in accounting practices.

d) Analyse the reasons why the Company may itemize certain alternative information on returns in its public information instead of the measures directly defined by accounting rules, the extent to which useful information is provided to investors and the level of compliance thereof with best practices and international recommendations in this area.

e) Obtain information on significant adjustments identified by the auditor or that result from revisions made by the Internal Audit Area and the position of the management team regarding said adjustments.

f) Timely and properly attend to, answer and take into account any requests sent thereto by the National Securities Market Commission during the current financial year or in prior years, ensuring that the same types of incidents previously identified in said requests are not repeated in the financial statements.

g) Check that the financial information published in the corporate website of the Company is continuously updated and that it coincides with what has been approved or prepared by the Board of Directors and published on the website of the National Securities Market Commission. If the Committee is not satisfied with any aspect thereof after the review, it shall communicate its opinion to the Board of Directors through the secretary thereof.

Article 8. Other Powers Entrusted to the Committee

The Committee shall also have the following functions:

a) Establish and supervise mechanisms whereby professionals and shareholders may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company, abiding in all cases by the rules and regulations on the protection of personal data and respecting the fundamental rights of the parties involved.

b) Conduct such investigations as may be necessary following third-party claims against the Company or in cases of irregular or improper conduct, in accordance with the provisions of the preceding letter.

c) Periodically collect information regarding the operation of the mechanisms referred to in letter a) above, including at least the number of complaints received, the origin thereof, type, results of the investigations and actions proposed. Once the foregoing has been analysed, if it so deems necessary, the Committee shall propose expedient actions to improve the operation thereof and to reduce the risk of future irregularities.

d) Prior to the preparation of the annual accounts and to the filing of the Corporate Income Tax return, obtain from the Company’s tax director, for transmittal to the Board of Directors, information on the tax guidelines used by the Company during the financial year and, in particular, on the level of compliance with the Corporate Tax Policy.

e) Based on the information received from the Company’s tax director, report to the Board of Directors on the tax policies applied and, in the case of transactions or matters that must be submitted to the Board of Directors for approval, regarding the tax consequences thereof when such consequences represent a significant issue.

TITLE III. COMPOSITION

Article 9. Composition

1. The 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 Committee from among the non-executive directors who are not members of the Executive Committee.

2. Within the aforementioned limits, the Committee may submit to the Board of Directors a proposal for amendment of the number of Committee members when it is deemed that such number will contribute to the more efficient operation of the Committee.

3. Diversity shall be sought in the composition thereof, particularly as regards, gender, professional experience, competencies, industry knowledge and geographic origin.
4. A majority of the members of the Committee shall be independent, and at least one of them shall be appointed taking into account the knowledge and experience thereof in the areas of accounting, audit, and risk management. A director shall be deemed to have knowledge and experience in accounting and audit if the director has:
   a) knowledge of legal provisions on accounting and audit;
   b) ability to assess and interpret the application of accounting rules;
   c) experience in preparing, auditing, analysing or evaluating financial statements with a certain level of complexity similar to those of the Company itself, or experience in supervising one or more persons involved in this work; and
   d) understanding of the internal control mechanisms relating to the process of preparing financial information.

5. The Board of Directors and the Appointments Committee shall endeavour to ensure that all members of the Committee, and especially the chair thereof, have the expertise, qualifications and experience appropriate for the duties they are called upon to perform in the area of accounting, auditing or risk managements, and that at least one of them has experience in information technology, and that as a whole the members of the Committee have relevant technical knowledge in the finance and internal control area, as well as in relation to the energy sector.

**Article 10. Positions**

1. The Board of Directors shall appoint a chair of the Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the Committee than the rest of the members thereof.

2. The Board of Directors shall also appoint a secretary of the Committee, who need not be a director.

**Article 11. Term of Office**

1. Committee members shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

2. The chair of the Committee shall hold office for a maximum period of four years, after which period the director who has held office as such may not be re-elected as chair of the Committee 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.

3. Committee members who are re-elected as directors of the Company by resolution of the shareholders at a General Shareholders’ Meeting shall continue in their positions on the Committee, without the need for a new election, unless the Board of Directors resolves otherwise.

**Article 12. Cessation of Office**

Committee members shall cease to hold office:
   a) When they cease to be directors of the Company.
   b) When they cease to be external directors, even if they continue as directors of the Company.
   c) When they become members of the Executive Committee.
   d) Upon expiration of the maximum term for which they were appointed without being re-elected.
   e) By resolution of the Board of Directors.

**TITLE IV. TRAINING**

**Article 13. Welcome programme**

1. Before attending their first meeting, the new members of the Committee shall receive a welcome programme that facilitates their active participation from the first moment.

2. This programme shall cover at least the following aspects:
   a) The role of the Committee and the responsibilities and objectives thereof.
   b) The operation of the other consultative committees of the Board of Directors.
   c) The expected time to be dedicated for each of the positions on the Committee (dedication level commitment).
   d) An overall view of the business and organisational model of the Company and its strategy: principal activities; financial structure; most significant risks, both financial and non-financial; as well as its Corporate Governance System.
   e) The Company’s information reporting obligations.
Article 14. Training Programme
The Committee shall have a periodic training plan that ensures the updating of knowledge relating to new developments in accounting rules, the specific regulatory framework of the Group’s businesses, internal and external audit, the management and supervision of risks, internal control and technological advances relevant to the Company.

TITLE V. OPERATION

Article 15. Annual Work Plan
1. Before the beginning of each financial year, the Committee shall approve an annual work plan that contemplates at least the following activities:
   a) The establishment of specific goals relating to each of the powers of the Committee, especially those that might be new or relate to significant issues.
   b) The setting of an annual meeting schedule upon the terms set forth in article 16 below. The schedule shall take into account the time to be dedicated to the different duties of the Committee. The meeting schedule of the Board of Directors and the date of the General Shareholders’ Meeting must be taken into account in preparing any reports to be submitted regarding the matters to be handled, as well as the report on the activities of the Committee referred to in article 23 below. Where appropriate, the meeting schedule shall be supplemented with the scheduling of preparatory work sessions or meetings on specific issues.
   c) The planning of the training deemed appropriate for the proper performance of the duties.
2. This planning shall take into account that the members of the Committee have responsibilities, mainly of supervision and advice, and should not intervene in the performance or management of matters within the authority of the Company’s management.

Article 16. Meetings
1. Once the meeting schedule of the Board of Directors has been approved, the chair and secretary of the Committee shall prepare a proposed annual meeting schedule, ensuring that the meetings are held on days prior to the meetings of the Board of Directors.
2. The proposed schedule, which shall include at least four annual meetings, shall include tentative agendas and any appearances that may be deemed necessary. This proposal shall systematically reflect the agenda for the meetings, planning fixed sections for issues that are dealt with on a recurring basis, and other sections for issues that are only dealt with at particular meetings. Generally, risk supervision shall be included in the agenda for the Committee’s meetings, so that an analysis can be made throughout the year of all significant risks, both financial and non-financial, the latter relating to aspects such as tax and cybersecurity.
3. The Committee shall meet at least upon the occasion of each date of publication of annual or interim financial information. Said meetings shall be attended by the director of the Internal Audit Area, and by the auditor when it issues a review report. At least a portion of said meetings with the auditor shall take place without the presence of the Company’s management team, so that the members can discuss among themselves specific issues that arise during the reviews.
4. The secretary of the Committee shall send the proposed schedule to the secretary of the Board of Directors for validation and subsequent preparation of the meeting schedule of the corporate decision-making bodies, pursuant to the provisions of article 29.7 of the Regulations of the Board of Directors.
5. Without prejudice to the provisions of the preceding sections, the Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto, as well as when requested by at least two of its members. Prior to sending a call to a meeting not provided for in the meeting schedule of the corporate decision-making bodies, the secretary of the Committee shall send to the secretary of the Board of Directors for validation the date, agenda and any appearances that may be deemed necessary.
6. The chairman of the Board of Directors and the chief executive officer may request informational meetings with the Committee on an exceptional basis.

Article 17. Call to Meeting
1. The secretary of the Committee shall, by order of the chair thereof, call the Committee to meeting at least eight days in advance thereof, except in the case of urgent meetings.
2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting and the documentation expected to be made available to the members of the Committee, which shall first be reviewed by the Office of the Secretary of the Board of Directors to ensure the consistency thereof with the meeting schedule of the corporate decision-making bodies and the Corporate Governance System.

3. No prior call to a meeting of the Committee shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

**Article 18. Place of the Meeting**

1. Meetings of the Committee shall be held at the place designated in the call to meeting.

2. Meetings of the Committee may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among them, and participation in discussion and the casting of votes, all in real time.

3. The members of the Committee in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Committee for all purposes. The meeting shall be deemed to have been held where the largest number of Committee members is located and, if they are in equal numbers, where the chairman or whoever performs the duties thereof is located.

**Article 19. Establishment of a Quorum**

1. A valid quorum for Committee meetings shall be established with the attendance, in person or by proxy, of a majority of its members.

2. The chair of the Committee shall preside over the meeting. In the event of the vacancy, illness, incapacity, or absence of the chair of the Committee, the meeting shall be chaired by the director having the longest length of service on the Committee, and if equal lengths of service, by the oldest.

3. The secretary of the Committee shall act as secretary for the meeting. In the event of vacancy, illness, incapacity, or absence of the secretary of the Committee, the person appointed by the Committee for such purpose shall act as secretary.

4. Committee members may give a proxy to another member by notice delivered by any of the means set forth in article 17 above, addressed to the secretary of the Committee and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in a conflict of interest situation.

**Article 20. Resolutions**

1. Resolutions of the Committee shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Committee shall have the tie-breaking vote.

2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Committee or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter, shall be made available to all of the directors, and shall be entered in a book of minutes of the Committee.

**Article 21. Conflicts of Interest**

When matters to be dealt with at a meeting of the Committee directly affect one of its members or persons related thereto and, in general, when such member is subject to a conflict of interest situation (upon the terms established in the Regulations of the Board of Directors), such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Committee members for purposes of calculating the quorum and majorities with respect to the matter at hand.

**Article 22. Attendance**

1. At the request of the chair of the Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be asked to attend the meetings thereof.

2. By means of a reasoned request made through the secretary of the Board of Directors, the chair of the Committee may also request the attendance of any director, officer, or employee of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto. The secretary of the Board of Directors shall evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the Committee, the identity of the person whose attend-
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ance is requested, and the meeting schedules of the corporate decision-making bodies from time to time in
effect.
3. Persons who are not members of the Committee may not attend meetings thereof when the matters dealt
with are outside the scope of the powers or duties of such persons.
4. The Committee may request the presence at its meetings of both the Company’s auditor as well as the
auditor of any entity within the Group, provided that there is no legal impediment thereto. The Company’s
auditor shall not attend the decision-making portion of the Committee’s meetings.
5. The presence of officers, employees or other directors, whether executive or not, at meetings of the Com-
munity shall be on an occasional basis and only when required, after an invitation from the chair of the
Committee, shall be strictly limited to those items on the agenda for which they are called, and they shall
not attend the decision-making portion of the Committee’s meetings.

TITLE VI. RELATIONSHIPS

Article 23. Relationship with the General Shareholders’ Meeting
1. The Committee shall report to the shareholders at the General Shareholders’ Meeting with respect to the
matters raised therein by the shareholders on matters within its purview, and particularly with respect to the
results of the audit of the annual accounts, explaining how it has contributed to the integrity of the financial
information, and the role that the Committee has played in such process.
2. Pursuant to the provisions of the Regulations of the Board of Directors, the Activities Report of the Board of
Directors and of the Committees thereof, which shall include information regarding the operation and the
activities of the Committee during the preceding financial year, shall be made available to the shareholders
and the other stakeholders for purposes of the call to the General Shareholders’ Meeting.
3. In particular, the section of the Activities Report of the Board of Directors and of the Committees thereof
regarding the Committee must allow the shareholders and other interested parties to understand the activities
performed by the Committee during the financial year in question, for which reason the publication must
contain at least the following aspects:
   a) Description of the regulation of the Committee.
   b) Composition of the Committee during the financial year, including the classification and seniority of
      each of the members thereof, as well as the significant abilities in terms of knowledge and experience
      contributed by each member.
   c) The standards used to determine and the rationale explaining the composition of the Committee, particu-
      larly in relation to the appointment of members who are not independent directors.
   d) Duties and work performed during the financial year by the Committee, changes therein during the fis-
      cal year and reference to these Regulations.
   e) Meetings held during the financial year and number of attendees, including whether non-members of the
      Committee have been invited.
   f) Number of meetings held with the internal auditor and with the external auditor.
   g) Significant activities during the period [reporting those that have been performed with the assistance of
      external experts] relating to:
      i. financial and related non-financial information and the mechanisms associated with internal control;
      ii. risk management and control;
      iii. the Internal Audit Area;
      iv. the auditor;
      v. follow-up on the action plans of the Committee; and
      vi. the nature and scope of any communications with the regulators.
   h) Evaluation of the operation and performance of the Committee, as well as of the methods used to assess
      the effectiveness thereof.
   i) Information regarding the Committee’s opinion on the independence of the auditor.

Article 24. Relationship with the Board of Directors
The chair of the Committee shall inform the Board of Directors, at the next meeting thereof following the meet-
ings of the committee, of the matters dealt with and the resolutions adopted during its meetings.
Article 25. Relationship with the Internal Audit Area

1. Pursuant to the provisions of these Regulations, the Committee’s relations with the Internal Audit Area shall respect the independence thereof.

2. The Committee shall propose to the Board of Directors, for approval thereby, after a report of the Appointments Committee, the appointment and removal of the director of the Internal Audit Area.

3. The chairman of the Board of Directors, based on the proposal made by the Committee, shall propose to the Board of Directors the approval of the Basic Internal Audit Regulations governing the nature, organisation, competencies, powers and duties of the Internal Audit Area of the Company and of the divisions of the Internal Audit of the Group.

4. The Committee shall ensure that the members of the Internal Audit Area have access to the documentation and to the staff necessary for the performance of its duties in accordance with the Corporate Governance System and that appropriate methods of investigation are provided to them, without impediment.

5. The Committee shall guide and supervise the activities of the Internal Audit Area. For such purpose, it shall approve an annual plan, which must be submitted by the director of the Internal Audit Area, and shall follow up on the recommendations of the Committee. As an integral part of the annual plan, the Committee shall approve the budget of the Internal Audit Area and shall submit it to the Board of Directors for acknowledgement thereby. The Committee shall verify that such plan has taken into account the principal financial and non-financial risk areas of the businesses, and that the responsibilities thereof have been clearly identified and determined for proper coordination with any other assurance functions, like the risk management and control, financial information control, compliance and external audit units. Furthermore, apart from identifying the audit objectives and the work to be performed, the approval by the Committee of the annual internal audit plan must include approval of the resources necessary for the implementation thereof, both human (internal and external) and financial and technological.

6. The Committee shall monitor the annual plan to verify at least the following:
   a) That the principal risk areas of the businesses identified in the plan are properly covered in practice. This shall include the supervision of internal controls on the method for calculating alternative return measures that the Company uses in its periodic reports.
   b) That there is appropriate coordination with other assurance functions like risk control and management, as well as with the external auditor.
   c) That there is an availability of the resources initially approved, in terms of staff as well as technological and financial resources, including the hiring or use of experts for those audits requiring special qualifications.
   d) That the director of the Internal Audit Area has effective and direct access to the Committee.
   e) That all significant changes in the plan are properly communicated to the Committee.
   f) That the conclusions reached by the Internal Audit Area are appropriate, that the action plans contained in the various reports are being implemented as agreed and within the timetable provided, and that the Committee is timely informed regarding the progress thereof.
   g) That any differences that may have arisen with the Company’s senior management have been resolved, or otherwise have been submitted for the consideration of the Committee.
   h) That the conclusions of its reports, prepared on the basis of the annual plan or other specific requests that may have been made or approved by the Committee, are submitted with the frequency provided for. Said conclusions must include both the weaknesses or irregularities detected, as well as the action plans for resolving them and the monitoring of the implementation thereof.

7. The director of the Internal Audit Area shall directly report to the Committee those incidents occurring during the performance of the annual work plan and shall submit thereto at the end of each financial year an activities report that must contain at least a summary of the activities performed and reports issued during the financial year, explaining what work provided for in the annual plan has not been carried or performed without being provided for in the initial plan, as well as an inventory of the weaknesses, recommendations and action plans.

8. In addition to the responsibilities inherent in its role, the Internal Audit Area shall be the customary body for communication between the Committee and the rest of the Company’s organisation (without prejudice to the provisions of these Regulations) and shall be responsible for preparing the information requested by the Committee. Without prejudice to the provisions of article 22 above, if the Committee so deems appropriate, the director of the Internal Audit Area may attend the discussion of certain items on the agenda to make the appropriate presentations.
Article 26. Relationship with the Corporate Risk Division
In addition to the responsibilities inherent in its role, the Corporate Risk Division shall be the customary body for communication with the Committee and the rest of the Company’s organisation on specific risk matters, and shall be responsible for preparing the information required on these issues at meetings, which the director of the Corporate Risk Division shall attend if the Committee deems it appropriate, but in any case without prejudice to the provisions of article 22 above.

Article 27. Relationship with the Auditor
1. The Committee’s relations with the Company’s auditor shall respect the independence thereof, in accordance with the provisions of these Regulations.
2. The Committee shall propose to the Board of Directors, for submission of the proposal to the shareholders at a General Shareholders’ Meeting, the selection, appointment, re-election, and replacement of the Company’s auditor. In addition, the Committee shall make a proposal to the Board of Directors regarding the contractual terms under which the auditor should be hired.
3. The Committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders’ Meeting, for appointment of an audit firm as the Company’s auditor if it has evidence that such firm is affected by any circumstance of lack of independence, prohibition, or disqualification pursuant to the legal provisions governing the audit of accounts, and in any event if the fees that the Company intends to pay it for any and all services are greater than five percent of its total domestic income during the last financial year.
4. The Committee shall regularly receive from the auditor information regarding the audit plan and the results of the implementation thereof, shall follow up on all recommendations proposed by the auditor, and may require its cooperation whenever it deems it necessary.
5. The Committee shall request of the auditor, on an annual basis, a certificate of independence of the firm as a whole and of the team members participating in the process of auditing the annual accounts of the Group, as well as information regarding additional services of any kind provided by the auditors or by persons related thereto pursuant to the provisions of the laws on auditing of accounts. In addition, the auditor shall include in the annual certification that it sends to the Committee a statement in which it reports on compliance with the application of the internal procedures of quality assurance and protection of independence that have been implemented.
6. The Committee must authorise any hiring of the auditor for any non-audit services prior to the approval thereof by the relevant body.
7. The Committee shall receive information on the hiring by any of the companies of the Group of professionals coming from any of the Group’s audit firms.

Article 28. Relationship with the Audit Committees of other Companies of the Group
1. The relationships of the Committee with the audit committees of other companies of the Group shall be governed by the provisions of the General Framework for Relations of Coordination and Information among the Audit Committees of Iberdrola, S.A. and its group approved by the Board of Directors, upon a proposal of the Committee.
2. This coordination and information relationship shall be channelled through the chairs of the audit committees of the Company and of the relevant company belonging to the Group, with the purpose of informing the Committee of the matters handled by such committees that might have a potentially significant impact on the Group.
3. The audit committees established at other companies of the Group must have their own regulations defining the principals of conduct and the rules of internal operation thereof, and whose scope, in compliance with the level of guarantees required by the Corporate Governance System as well as with the principles of coordination and information that must govern the relationships among the audit committees of companies established at companies of the Group for the proper discharge of their duties, must be in agreement with the contents of these Regulations, without prejudice to any amendments that may be required taking into account the circumstances of each company.
4. Any information from or appearance by any officer, employee, or director of any company belonging to the Group with an audit committee that is requested by the Committee in the performance of its duties shall be
processed and carried out through the audit committee of the affected company, whose chair shall report directly to the chair of the Committee.

5. The audit committees established at other companies of the Group shall ensure the independence and effectiveness of their respective internal audit areas.

6. For the performance of the duties assigned to the Committee in these Regulations in connection with the Internal Audit Area, the director of the Internal Audit Area of the Company shall establish the appropriate framework of relations of coordination and information with the internal audit areas of the other companies of the Group.

**TITLE VII. POWERS OF THE COMMITTEE, PARTICIPATION AND RIGHTS TO RECEIVE INFORMATION OF THE MEMBERS THEREOF, DUTIES AND EVALUATION OF THE OPERATION THEREOF**

**Article 29. Powers and Advice**

1. The Committee may, through the secretary of the Board of Directors, freely access any information or documents available at the Company relating to the matters that are within the Committee’s area of authority and that it deems necessary to perform its duties.

2. The Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the Committee. In such case, the Committee shall ensure that potential conflicts of interest do not prejudice the independence of the outside advice received.

**Article 30. Participation and Rights to Receive Information**

1. In order to promote a diversity of opinions that enriches the analysis and proposals of the Committee, the chair of the Committee shall ensure that all of the members freely participate in the deliberations, without being affected by internal or third-party pressures, and shall encourage constructive dialog among them, promoting free expression and a critical attitude.

2. To properly carry out its duties, the chair of the Committee shall promote the establishment of an effective and periodic channel of communication, which shall also involve the other members of the Committee to the extent deemed appropriate, with the management team, with the Internal Audit Area and with the auditor upon the terms provided in title VI of these Regulations.

3. The chair of the Committee shall channel and provide the information and documentation required to the other members of the Committee sufficiently in advance of each meeting so that they can properly analyse it and prepare for the meeting.

**Article 31. Duties of Committee Members**

1. Committee members must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence. In particular, attendance at meetings of the Committee shall be preceded by the sufficient dedication of its members to analyse and evaluate the information received.

2. In exercising their powers, the members of the Committee shall comply with the provisions of these Regulations and applicable law on professional scepticism and critical attitude regarding the conclusions reached by the executive directors and senior officers of the Company, acknowledging the arguments for and against, and with each of the members, and the Committee as a whole, forming their and its own position.

3. Committee members are subject as such to all of the duties of a director set forth in the Regulations of the Board of Directors, to the extent they are applicable to the responsibilities discharged by the Committee.

**Article 32. Evaluation**

1. Within the framework of the annual evaluation provided for in the Regulations of the Board of Directors, the Committee shall independently evaluate the performance thereof in order to strengthen the operation thereof and improve planning for the next financial year, for which purpose it shall ask the opinion of the other directors.

2. In the interest of greater transparency, the Activities Report of the Board of Directors and of the Committees thereof shall state the extent to which the evaluation has caused significant changes in the organisation and procedures of the Committee.
TITLE VIII. COMPLIANCE, DISSEMINATION, AND INTERPRETATION

Article 33. Compliance and Dissemination
1. The members of the Committee, as well as the other members of the Board of Directors to the extent they are affected, have the obligation to know and comply with these Regulations, for which purpose the secretary of the Board of Directors shall post them on the directors’ website and on the Company’s corporate website.
2. In addition, the Committee shall have the obligation to ensure compliance with these Regulations and to adopt appropriate measures for the required dissemination thereof among the rest of the organisation.

Article 34. Interpretation
1. These Regulations shall be interpreted in accordance with law and the Corporate Governance System.
2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by the Committee itself, and in the absence of such resolution, by the chair of the Committee, who shall be assisted by such persons, if any, as may be appointed by the Board of Directors for such purpose. The Board of Directors shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.
3. In the absence of a specific rule, the provisions of the Regulations of the Board of Directors regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting and approval of the minutes of meetings, shall apply to the Committee to the extent that they are not inconsistent with the nature thereof.
VI. Basic Internal Audit Regulations

24 July 2018

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These Basic Internal Audit Regulations (the “Basic Regulations”) govern the nature, organisation, competencies, powers and duties of the Internal Audit Area of Iberdrola, S.A. (the “Internal Audit Area” and “Iberdrola” or the “Company”, respectively) and of the Internal Audit divisions of the various companies of the group of which Iberdrola is the controlling entity, within the meaning established by law (the “Internal Audit Divisions” and the “Group”, respectively). These Basic Regulations have been approved by the Company’s Board of Directors upon the terms proposed by the chairman thereof pursuant to the proposal of the Audit and Risk Supervision Committee (the “ARSC”), all in accordance with the provisions of the Regulations of the Audit and Risk Supervision Committee, and are included within Iberdrola’s Corporate Governance System.

**TITLE I.- NATURE AND REGULATION**

**Article 1.- Nature of the Internal Audit Area and of the Internal Audit Divisions**

The Internal Audit Area is an internal unit of the Company that hierarchically reports to the chairman of Iberdrola’s Board of Directors and functionally reports to the ARSC. Its basic activity consists of independently and proactively endeavouring to ensure the effectiveness of the governance, risk management and internal control processes of the Group.

For their part, the Internal Audit Divisions shall perform duties equivalent to those of the Internal Audit Area at least at those country subholding and head of business companies of the Group that have audit and compliance committees (the “ACCs”).

**Article 2.- Regulation**

1. **Internal regulations:**

   The Internal Audit Area and the Internal Audit Divisions are governed by the provisions of these Basic Regulations and, if applicable, by the applicable provisions of the bylaws or regulations of the companies of the Group of which they are a part.

   Internal Audit Divisions belonging to listed companies or with the presence of minority shareholders that have their own internal regulations in this area shall be governed by such regulations.

   In addition, the Internal Audit Divisions shall conform their activities to the framework of relations of coordination and information among the Internal Audit Area and the Internal Audit Divisions prepared by the head of the Internal Audit Divisions upon the terms of article 5 below.

2. **External regulations:**

   Without prejudice to the provisions of the Corporate Governance System, these Basic Regulations and the other internal rules of the Company, the Internal Audit Area and the Internal Audit Divisions, as well as the professionals assigned thereto, shall conform their activities to the International Standards for the Professional Practice of Internal Auditing approved by the Institute of Internal Auditors (IIA), which contains, among other things: (i) the definition of internal auditing; (ii) the International Standards for the Professional Practice of Internal Auditing in effect from time to time; and (iii) the Code of Ethics.

**TITLE II. ORGANISATION OF THE INTERNAL AUDIT AREA AND OF THE INTERNAL AUDIT DIVISIONS**

**Article 3.- Internal Audit Divisions**

At the least, the companies of the Group within which ACCs are created shall have an Audit Division, without prejudice to any specific provisions applicable thereto by reason of their status as listed companies, the presence of minority shareholders, nationality, law or any other circumstances.

**Article 4.- Director of the Internal Audit Area and Heads of the Internal Audit Divisions**

1. The director of the Internal Audit Area and the heads of the Internal Audit Divisions should have the knowledge, skills and experience appropriate to the duties they are asked to perform, especially with respect to internal audit, risk management, internal control and governance, and shall have the powers required for the performance thereof.

2. Pursuant to the provisions of the Corporate Governance System, the Company’s Board of Directors is responsible for the appointment and removal of the director of the Internal Audit Area, upon a proposal of the ARSC and after a report of the Appointments Committee.
For its part, the Board of Directors of the company in question is responsible for the appointment and removal of the head of an Audit Division, upon a proposal or prior report (as provided by the internal regulations of the company in question) of the respective ACC (if any).

In the case of: (i) country subholding companies; or (ii) head of business companies with an ACC, but subordinate to a country subholding company that does not have an ACC, in order to prepare the corresponding proposal or report, the chair of the respective ACC shall first consult with the director of the Internal Audit Area of Iberdrola.

In the case of head of business companies with an ACC that are subordinate to country subholding companies that also have an ACC, the chair of the ACC of the head of business company shall have such prior consultations with the head of the Internal Audit Division of its respective country subholding company, who in turn shall consult on this issue with the director of the Iberdrola’s Internal Audit Area.

If the appointment affects a company without an ACC, the chair of the Board of Directors shall engage in the relevant consultations.

3. The director of the Internal Audit Area shall be deemed a member of the senior management of the Company, and shall report hierarchically to the chairman of the Board of Directors thereof. The heads of the Internal Audit Divisions shall belong to the management team of their corresponding companies, and shall report hierarchically to the chair of the Board of Directors thereof.

4. The ARSC is the body that evaluates the operation of the Internal Audit Area and the performance of the director thereof pursuant to the provisions of the Regulations of the Audit and Risk Supervision Committee, for which purpose it shall obtain any opinion that might be held by the chief executive.

In a similar vein, these duties correspond to the respective ACC, if any, or if none to the board of directors, with respect to the head of an Audit Division.

5. The director of the Internal Audit Area and the heads of the Internal Audit Divisions shall manage the operation and the budget, respectively, of the Internal Audit Area and of the corresponding Internal Audit Divisions, under the principles of independence and efficiency in management, and shall be responsible for implementing the relevant measures and action plans and endeavouring to ensure the proper performance of the duties thereof.

Article 5.- Framework for Relations of Coordination and Information between the Internal Audit Area and the Internal Audit Divisions

1. The director of the Internal Audit Area shall establish an appropriate framework for relations of coordination and information between the Internal Audit Area and the Internal Audit Divisions and shall develop the strategy, guidelines and overall supervision of the Internal Audit function at the Group level.

2. Specifically, the director of the Internal Audit Area shall:

   a. Define the strategic lines and scale of the Internal Audit function at the Group level.

   b. Participate in determining the processes for determining and evaluating the objectives of the heads of the Internal Audit Divisions (of companies that are not listed companies or subsidiaries, do not have minority shareholders, and are not subsidiaries thereof) and for setting the remuneration thereof, as well as in determining the profiles and development and career plans of its team.

   c. Supervise and coordinate the annual activities plans of the Internal Audit Divisions, which must be coordinated with the activities plan of the Internal Audit Area, and to which it shall transmit the guidelines and directives of the Board of Directors and of the ARSC of the Company.

   d. Supervise the annual activity reports of the Internal Audit Divisions.

   e. Establish directives regarding quality requirements and the promotion of global certifications, and promote periodic evaluations of the Internal Audit Divisions.

3. The director of the Internal Audit Area and the heads of the Internal Audit Divisions shall hold regular coordination and information meetings. Such meetings may also be attended by those internal auditors that the director of the Internal Audit Area deems appropriate for the proper performance of the function.
TITLE III. POWERS OF THE INTERNAL AUDIT AREA AND OF THE INTERNAL AUDIT DIVISIONS

Article 6.- Scope
The Internal Audit Area and the Internal Audit Divisions shall independently and objectively provide assurance and consulting services to add value and improve the operations of the Company and of the Group, providing a systematic and disciplined focus in order to evaluate and improve the efficiency of the risk management, control and governance processes of the Group.

The nature and scope of any consulting work performed by the Internal Audit Area and the Internal Audit Divisions shall be previously agreed with the relevant Division of the Group. In no case may the Internal Audit Area or Internal Audit Divisions assume management responsibilities or participate in making executive decisions.

Article 7.- Powers relating to the Audit and Risk Supervision Committee or the Audit and Compliance Committees, as applicable
1. The Internal Audit Area shall assist the ARSC (and the Internal Audit Divisions shall assist their corresponding ACCs) in developing the powers of said committee, especially as regards supervision of the effectiveness of the internal control and risk management system, relations with the statutory auditor, and supervision of the process of preparing the economic/financial information of the company in question.

2. The director of the Internal Audit Area and the heads of the Internal Audit Divisions shall be in charge of preparing the information requested of them by the relevant ARSC and ACC, respectively. They shall also attend the meetings of the ARSC and the ACC to which they are called when dealing with issues within their respective domains (including meetings held to formulate or approve annual or interim financial information).

In particular, the director of the Internal Audit Area and the heads of the Internal Audit Divisions shall provide to the ARSC or the ACC, as appropriate, and within their respective areas of competence, the information required for them to: (i) supervise the effectiveness of the internal control and risk management systems; (ii) reach a conclusion as to whether the accounting policies have been properly applied; and (iii) know the significant adjustments identified by the Internal Audit Area or the Internal Audit Division, as applicable, in the review of the economic/financial information.

3. The Internal Audit Area shall be the regular body for communication between the ARSC and the rest of the Company’s organisation, without prejudice to provisions of the Regulations of the Audit and Risk Supervision Committee and the General Framework for Relations of Coordination and Information among the Audit Committees of Iberdrola, S.A. and its group regarding the duties entrusted to other areas, particularly the Office of the Secretary of the Board of Directors and other Divisions (like the Corporate Risk Division).

Article 8.- Powers to Supervise the Effectiveness of the Internal Control System
1. The Internal Audit Area and the Internal Audit Divisions shall objectively and independently supervise the effectiveness of the Group’s internal control system, which is made up of a set of risk management and control mechanisms and systems. By way of example and not limitation, and within the scope of their respective domains, they shall be particularly responsible for supervising:
   i. The effective operation of the comprehensive risk control and management system of the Group, as described in the General Risk Control and Management Policy, and the adaptation thereof to ensure compliance with the Risk Policies.
   ii. The effective operation of the Internal Control over Financial Reporting (ICFR) System established by the Company for preparing and presenting the economic/financial information of the Group, including information that the Company must regularly publish due to its status as a listed company.
   iii. The effective application of the rules, protocols and procedures making up the Group’s Compliance System, which is intended to prevent action or conduct that is improper or contrary to ethics or the law, including, without limitation, supervision of the measures established to prevent corruption, fraud and conduct constituting bribery, as well as programmes to prevent the commission of crimes.
   iv. The effective operation of the overall framework for the control and management of the Group’s cybersecurity risks, as well as the framework for the governance and management of the processes and actions relating to information technology (IT) within the Group.
   v. The effective operation of the mechanisms established by the Group for implementing the Corporate Social Responsibility policies.
vi. Verification that the investment and divestment processes comply with applicable risk policies and guidelines and that the procedures pursuant to which they are performed ensure proper internal control and effective management of the related risks.

2. The Internal Audit Area and the Internal Audit Divisions shall also engage in any other actions needed to perform their duty of ensuring the effective operation of the Group’s internal control system.

3. The Internal Audit Area and the Internal Audit Divisions shall also have such other powers of a singular or permanent nature as are assigned thereto by the board of directors of the relevant company or that are vested therein by the Corporate Governance System.

4. In performing the above duties, as well as in preparing the annual activities plans provided for in article 10 of these Basic Regulations, they must take into account the powers of assurance of other areas of the Company and of the Group in order for the responsibilities of the Internal Audit Area and the Internal Audit Divisions to be clearly defined and in order for there to be proper mechanisms of coordination with other assurance functions.

Along these lines, the powers of the Internal Audit Area and of the Internal Audit Divisions set out in this article 8 shall not include the duties assigned to the Corporate Risk Division in relation to the management and supervision of the Group’s risks, and particularly the development and implementation of the Risk Policies.

5. Furthermore, the Internal Audit Area and the Internal Audit Divisions, as applicable, must be informed of the provision of any assurance services to the Group by outside service providers. When appropriate, the Internal Audit Area and the Internal Audit Divisions shall coordinate such services when related to their respective domains.

**TITLE IV. RESOURCES, BUDGET AND ANNUAL ACTIVITIES PLAN**

**Article 9.- Material and Human Resources**

Both the Internal Audit Area and the Internal Audit Divisions shall have access to the human, financial and technological resources necessary to perform their duties.

**Article 10.- Annual Activities Plan and Budget**

1. The director of the Internal Audit Area shall prepare a proposed annual activities plan of the Internal Audit Area and shall submit it for the approval of the ARSC. Such proposal:
   i. shall contain the budget of the Internal Audit Area for engaging in its activities during the next financial year;
   ii. shall take into account the principal financial and non-financial risk areas of the business;
   iii. shall clearly identify and define the responsibilities of each business for proper coordination with any other assurance functions, like the risk management and control, financial information control, compliance and external audit units.
   iv. shall establish the audit objectives and the work to be performed, as well as the resources necessary for the implementation thereof, both human (internal and external) and financial and technological; and
   v. shall take into account any suggestions that the Board of Directors, the ARSC and the senior officers have communicated thereto.

2. Once approved by the ARSC, the budget for the Internal Audit Area shall be sent to the chairman of the Company’s Board of Directors, who shall present it to the Board of Directors for review.

3. The heads of the Internal Audit Divisions shall present to the relevant ACC the proposed activities plan and budget for the performance of their activities during the next financial year, for approval thereof and submission to the chair of the relevant board of directors, who shall submit it to such board of directors for review in the case of the activities plan and for approval with respect to the budget. If an Audit Division belongs to a company of the Group that does not have an ACC, the board of directors of such company shall be in charge of approving the activities plan and budget proposed by such Audit Division.

4. The director of the Internal Audit Area and the heads of the Internal Audit Divisions shall periodically review their respective annual activity plans in order to evaluate the adequacy thereof to cover the risks identified and, if applicable, propose to the ARSC or to the relevant ACC for approval the changes they deem appropriate.
5. Compliance with the annual activities plan shall be one of the objectives of the director of the Internal Audit Area and of the heads of the Internal Audit Divisions.

**Article 11.- Activities Report and Recommendations**

1. The director of the Internal Audit Area shall directly report to the ARSC (and the heads of the Internal Audit Divisions shall report to their corresponding ACCs) incidents occurring during the implementation of the budget and the annual work plan, and shall submit thereto a report on its activities at the end of each financial year. The report must contain at least a summary of the activities performed and reports issued during the financial year, explaining what work provided for in the annual plan has not been carried or performed without being provided for in the initial plan, as well as an inventory of weaknesses, recommendations and action plans.

2. In particular, the director of the Internal Audit Area shall regularly report to the ARSC (and the heads of the Internal Audit Divisions shall report to their corresponding ACCs) the recommendations resulting from the audit work thereof and on the status thereof, if applicable.

3. The director of the Internal Audit Area shall also regularly report to the ARSC on whether the senior officers of the Company take into account the conclusions and recommendations contained in its reports.

**TITLE V. POWERS AND DUTIES**

**Article 12.- Powers**

1. The Internal Audit Area, through its director, shall have access to the documentation, information or information systems it deems necessary or appropriate for the exercise of its powers, without prejudice to observing the law and the internal rules of the Company and its Group.

2. In the exercise of its powers, the Internal Audit Area may obtain assistance from any officer or employee of the Company, as well as from other specialised areas both within and outside of the Company.

3. The director of the Internal Audit Area shall act transparently, informing the affected parties of the purpose and scope of its activities whenever practicable.

4. The foregoing shall similarly apply to the heads of the Internal Audit Divisions.

**Article 13.- Duties**

The members of the Internal Audit Area and of the Internal Audit Divisions must:

1. Act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence.

2. Refrain from disclosing any information, data, reports or background information to which they may have access while in office, nor use any of the foregoing for their own benefit or that of third parties, without prejudice to any applicable duties of transparency and reporting. This duty of confidentiality shall survive even after the members no longer hold such position.

**TITLE VI. COMPLIANCE, INTERPRETATION AND AMENDMENT**

**Article 14.- Compliance**

1. The members of the Internal Audit Area and of the Internal Audit Divisions have the obligation to know and comply with these Basic Regulations, for which purpose they shall be permanently published on the employee portal of the Group and shall form part of the management tools of the Internal Audit Area. The director of the Internal Audit Area and the heads of the Internal Audit Divisions shall also inform all of their members of any change in these Basic Regulations.

The professionals of the Group have the obligation to know these Basic Regulations to the extent they are affected hereby and to comply with the provisions applicable thereto, for which reason the director of the Internal Audit Area and the heads of the Internal Audit Divisions shall ensure the proper dissemination hereof.

2. The director of the Internal Audit Area and the heads of the Internal Audit Divisions shall have the duty to ensure compliance with these Basic Regulations.

**Article 15.- Interpretation**

1. Any questions or disputes regarding the interpretation of the Basic Regulations shall be resolved by the director of the Internal Audit Area, who shall take into consideration the provisions of the Corporate Governance System, and if none apply, to the International Standards for the Professional Practice of Internal...
Auditing approved by the Institute of Internal Auditors (IIA). In the event of questions or conflicts, the director shall request the opinion of the ARSC.

2. The director of the Internal Audit Area shall inform the following of the standards of interpretation that have been adopted: (i) the heads of the Internal Audit Divisions; and (ii) the secretary of the ARSC, who in turn shall communicate them to the secretary of the Board of Directors.

Article 16.- Amendment of the Basic Regulations

Any amendment to these Basic Regulations must be approved by Company’s Board of Directors, which amendment shall be submitted thereto by its chairman, at the proposal of the ARSC.

Without prejudice to the foregoing, the Board of Directors may make amendments to these Basic Regulations without a prior proposal from the ARSC within the context of reforms to the Corporate Governance System that make advisable or require technical non-substantive amendments to the Basic Regulations.
VII. Regulations of the Appointments Committee

21 June 2018

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TITLE I. NATURE, OBJECT AND APPROVAL

Article 1. Nature and Object
1. Pursuant to the Corporate Governance System of IBERDROLA, S.A. (the “Company”), the Board of Directors establishes the Appointments Committee (the “Committee”), a permanent internal informational and consultative body without executive duties, with information, advisory and proposal-making powers within its scope of action and which shall be governed by the provisions set forth in the By-Laws, in the Regulations of the Board of Directors and in these Regulations of the Appointments Committee (the “Regulations”).
2. The object of these Regulations is to favour the independence of the Committee and to determine the principles of conduct and the rules of internal operation thereof, without prejudice to the powers of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).
3. These Regulations have been prepared taking into account the good governance recommendations generally accepted in international markets and form part of the Corporate Governance System.

Article 2. Approval, Amendment, and Priority
1. These Regulations must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors or of the Committee itself.
2. Any amendment hereof must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors or of the Committee itself.
3. These Regulations further develop and supplement the provisions of the By-Laws and of the Regulations of the Board of Directors applicable to the Committee. The latter provisions shall prevail in the event of conflict with the former.

TITLE II. POWERS

Article 3. Powers regarding the Composition of the Board of Directors and of the Committees thereof and regarding the Process of Designation of Internal Positions of the Board of Directors and Senior Officers
In this regard, the Committee shall have the following main functions:

a) Advise the Board of Directors regarding the most appropriate configuration thereof and of its committees as regards size and equilibrium among the various classes of directors existing at any time. For such purpose, the Committee shall review the structure of the Board of Directors and of its committees on a regular basis, particularly when vacancies occur within such bodies.

b) Report on and review the criteria that should be followed in composing the Board of Directors and in selecting candidates, and particularly the necessary competence, knowledge and experience, and assess the time and dedication required for the proper performance of their work. In the exercise of this power, the Committee shall take into account, regarding non-executive directors, the relation between the number of proprietary directors and the number of independent directors, such that the composition of the Board of Directors reflects, as far as possible, the ratio of the Company’s voting share capital represented by proprietary directors to the rest of the share capital.

c) Ensure that the persons to be appointed to the office of director by means of any procedure meet the requirements of respectability, capability, expertise, competence, experience, qualifications, training, availability and commitment to their duties and that they are not affected, directly or indirectly, by any of the instances of disqualification from or prohibition against holding office or by having interests in conflict with or contrary to the corporate interest set forth in provisions of a general nature or in the Corporate Governance System; in so doing, the Committee shall endeavour to ensure that the selection of candidates provides adequate equilibrium to the Board of Directors as a whole, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters dealt with.

d) Periodically review and propose amendments to the Board of Directors Diversity and Director Candidate Selection Policy, verify compliance therewith on an annual basis, and report thereon in the Annual Corporate Governance Report.
e) Ensure that when new vacancies are filled or new directors are appointed, the selection procedures are free from any implied bias entailing any kind of discrimination and, in particular, from any bias that may hinder the selection of female directors.

f) Establish a goal for representation by the less represented gender on the Board of Directors and prepare guidance on how to reach this objective.

g) Report on and make proposals regarding the appointment or removal of the members that must make up each of the committees, verifying and confirming compliance with the requirements of expertise, ability and experience in connection with the powers of the committee in question and, in particular, those of the Audit and Risk Supervision Committee.

h) Report on proposals relating to the appointment or removal of the chairman of the Board of Directors.

i) Report on proposals made by the chairman of the Board of Directors regarding the appointment or removal of the chief executive officer.

j) Examine and organise the succession of the chairman of the Board of Directors and of the chief executive of the Company and, if applicable, make proposals to the Board of Directors for the succession to occur in an orderly and well-planned fashion, in accordance with the succession plan approved by the Board of Directors.

k) Report on proposals from the chairman of the Board of Directors regarding the appointment or removal of the vice-chairman or vice-chairmen of the Board of Directors.

l) Submit to the Board of Directors a proposal for the appointment of a lead independent director (consejero coordinador) with the powers set forth in the Regulations of the Board of Directors in the event that the chairman of the Board of Directors performs executive duties, and report on proposals for removal of such director.

m) Report on proposals from the chairman of the Board of Directors regarding the appointment or removal of the secretary, and of the deputy secretary or deputy secretaries, if any, of the Board of Directors, the general secretary, and the counsel.

n) Supervise the process of selecting candidates for senior officers of the Company and report on the proposals of the Company’s chief executive regarding the appointment or removal of the senior officers.

o) Assess and propose improvements in the design of the officer training and monitoring plan referred to in the General Corporate Governance Policy.

p) Report on or prepare the Company’s proposals regarding the appointment or removal of the independent directors of the unlisted country subholding companies as well as of the companies within the Group whose direct or indirect owner is not a country subholding company. This duty shall be exercised within legal limits and within the framework of coordinating the interests of the Company and those of the companies within the Group, as well as those of the main companies in which it has an interest.

q) Obtain from the chairman of the Board of Directors and from the chief executive officer the information required for the exercise of its powers regarding the directors at the companies within the Group and at those in which it has an interest, without prejudice to respecting the independence and uniqueness of those that are listed companies upon the terms set forth above.

r) Issue such other reports and take such other actions as may also fall within its purview pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

**Article 4. Powers regarding the Selection of Candidates for Director**

In this regard, the Committee shall have the following main functions:

a) Review the criteria for selecting candidates for director and assist the Board of Directors in defining the profiles to be met by such candidates, taking into account the needs of the Board of Directors and based on the areas of the Board that require reinforcement, and ensuring that the selection procedures are free from any implied bias entailing any kind of discrimination and, in particular, from any bias that may hinder the selection of female directors.

b) Select possible candidates who might be appointed as directors of the Company and present its proposals or reports, as the case may be, to the Board of Directors through its chairman.

c) Verify that all candidates for director of the Company meet the general requirements provided by law and the Company’s Corporate Governance System.
d) Evaluate the qualities of the various candidates and assign them to one of the categories of directors contemplated in the By-Laws.

e) Bring proposed appointments of independent directors to the Board of Directors for appointment on an interim basis to fill a vacancy or for submission to a decision by the shareholders at a General Shareholders’ Meeting.

f) Verify compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and gather adequate information regarding their personal qualities, experience, knowledge and effective availability.

g) At the request of the chairman of the Board of Directors or any other member of the Board of Directors, report on the proposed appointment of other directors for appointment on an interim basis to fill a vacancy or for submission to a decision by the shareholders at a General Shareholders’ Meeting.

h) Report on proposals made by corporate directors regarding their individual representatives.

i) Report, in the case of proprietary directors, on the situation of the shareholder or shareholders that propose, request or decide upon the appointment of such directors, whatever the method and procedure for appointment, to the extent legally possible.

j) Request any information and documentation that it deems necessary or appropriate of the candidates for director, the individuals that are to represent corporate directors, and in the case of proprietary directors, the shareholders that propose, request or decide upon the appointment thereof, in order to prepare the proposals and reports referred to in the preceding sub-sections.

k) Verify the information contained in the Annual Corporate Governance Report regarding the reasons for which proprietary directors have been appointed at the request of shareholders with a shareholding interest of less than three per cent of the share capital of the Company, or for which there has been a failure to respond to formal requests for a presence on the Board of Directors by shareholders with a shareholding interest equal to or greater than that of others at whose request proprietary directors have been appointed.

### Article 5. Powers regarding the Evaluation and Re-election of Directors

In this regard, the Committee shall have the following main functions:

a) Establish and supervise an annual programme for continuous evaluation and review of the qualifications and, if applicable, independence of the directors, as well as of ongoing compliance thereby with the requirements of respectability, capability, expertise, competence, availability and commitment to their duties as directors and as members of a given committee, and propose to the Board of Directors such measures as it deems advisable in this regard, with the power to collect any information or documentation that it deems necessary or appropriate for such purposes.

b) Participate in the annual process of evaluation of performance of the chairman of the Board of Directors and of the chief executive officer pursuant to the provisions of the Corporate Governance System.

c) Examine, prior to the end of the term for which a director has been appointed, the advisability of the director’s re-election, as well as the director’s continuance, if applicable, on the committees of the Board of Directors of which such director is a member.

d) Verify that the director to be re-elected continues to comply with the general requirements applicable to all directors of the Company pursuant to law and the Company’s Corporate Governance System, as well as evaluate the quality of work and dedication to office of the director in question during the preceding term of office and, specifically, such director’s respectability, capability, expertise, competence, experience, qualifications, availability and commitment to the duties entrusted thereto.

e) Submit to the Board of Directors, once the procedures described in the preceding sub-sections have been completed, its proposal [in the case of independent directors] or report [in the case of the other directors] regarding the re-election of directors.

### Article 6. Powers regarding the Removal and Cessation of Office of Directors

In this regard, the Committee shall have the following main functions:

a) Inform the Board of Directors regarding proposed removals due to breach of the duties inherent to the position of director or due to a director becoming affected by supervening circumstances of mandatory resignation or cessation of office.

b) Receive and analyse the decisions of the Compliance Unit regarding irregularities or acts contrary to law or the rules of the Corporate Governance System that affect members of the Board of Directors, and propose
the admonishment or removal thereof or any other measure deemed appropriate based on the conclusions reached in preparing the investigative file.

c) Propose the removal of directors in the event of disqualification, structural conflict of interest, or any other reason for resignation or cessation of office, pursuant to law or the Corporate Governance System.

d) For the purposes set forth in the preceding sub-sections, request through the chairman of the Board of Directors the information or documents it deems necessary or appropriate of the directors, the individuals that are to represent the corporate directors and, in the case of proprietary directors, the shareholders that have proposed, requested or decided upon the appointment thereof.

Article 7. Other Powers Entrusted to the Committee
The Committee shall also have the following functions:

a) Report in advance to the Board of Directors regarding the matters within its purview under title IX of the Regulations of the Board of Directors.

b) Report to the Board of Directors or, in urgent cases, to the Executive Committee, prior to the approval thereof, regarding transactions that the Company or the companies forming part of its Group are going to carry out with the directors or with shareholders that hold an interest legally considered as significant at any time or that have proposed the appointment of any of the directors of the Company, or with their respective related persons. As an exception, the transactions between the persons mentioned above and the listed companies of the Group or their subsidiaries shall not be subject to a prior report from this Committee when such listed companies have corporate governance rules similar to those of the Company that provide that such transactions shall fall within the purview of their own corporate decision-making bodies.

c) Ensure that the transactions mentioned in the letter above are conducted under arm’s length conditions and with due observance of the principle of equal treatment of shareholders.

d) Within the first three months following the close of each financial year of the Company, prepare and make available to the shareholders through the Company’s corporate website on occasion of the call to the General Shareholders’ Meeting, a report on the transactions referred to in letter b) above.

e) Report on the proposed appointment and removal of the chair of the Compliance Unit, as well as of the secretary and director thereof.

TITLE III. COMPOSITION

Article 8. Composition
1. The 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 Committee, from among the non-executive directors, and the majority thereof must classified as independent.

2. The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications, and experience as are required by the duties they are called upon to perform.

3. Within the aforementioned limits, the Committee may submit to the Board of Directors a proposal for amendment of the number of Committee members when it is deemed that such number will contribute to the more efficient operation of the Committee.

4. Diversity shall be sought in the composition thereof, particularly as regards, gender, professional experience, competencies, industry knowledge and geographic origin.

Article 9. Positions
1. The Board of Directors shall appoint a chair of the Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the Committee than the rest of the members thereof.

2. The Board of Directors shall also appoint a secretary of the Committee, who need not be a director.

Article 10. Term of Office
1. Committee members shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

2. Committee members who are re-elected as directors of the Company by resolution of the shareholders at a General Shareholders’ Meeting shall continue in their positions on the Committee, without the need for a new election, unless the Board of Directors resolves otherwise.
Article 11. Cessation of Office
Committee members shall cease to hold office:

a) When they cease to be directors of the Company.

b) When they cease to be non-executive directors, even if they continue as directors of the Company.

c) Upon expiration of the maximum term for which they were appointed without being re-elected.

d) By resolution of the Board of Directors.

TITLE IV. TRAINING

Article 12. Welcome programme
1. Before attending their first meeting, the new members of the Committee shall receive a welcome programme that facilitates their active participation from the first moment.

2. This programme shall cover at least the following aspects:
   a) The role of the Committee and the responsibilities and objectives thereof.
   b) The operation of the other consultative committees of the Board of Directors.
   c) The expected time to be dedicated for each of the positions on the Committee (dedication level commitment).
   d) An overall view of the business and organisational model of the Company, of its strategy and of the skills, knowledge and experience that must be held by the directors and senior officers of the Company.
   e) Information obligations of the Company in relation to the selection, appointment, re-election and removal of the directors and senior officers.

Article 13. Training Programme
The Committee shall have a periodic training plan that ensures the refreshment of knowledge relating to the scope of the powers thereof, and particularly regarding the selection of directors and senior officers.

TITLE V. OPERATION

Article 14. Annual Work Plan
1. Before the beginning of each financial year, the Committee shall approve an annual work plan that contemplates at least the following activities:
   a) The establishment of specific goals relating to each of the powers of the Committee, especially those that might be new or relate to significant issues.
   b) The setting of an annual meeting schedule upon the terms set forth in article 15 below. The schedule shall take into account the time to be dedicated to the different duties of the Committee. The meeting schedule of the Board of Directors and the date of the General Shareholders’ Meeting must be taken into account in preparing any reports to be submitted regarding the matters to be handled, as well as the report on the activities of the Committee referred to in article 26 below.
   Where appropriate, the meeting schedule shall be supplemented with the scheduling of preparatory work sessions or meetings on specific issues.
   c) The planning of the training deemed appropriate for the proper performance of the duties.

2. This planning shall take into account that the members of the Committee have responsibilities, mainly of supervision and advice, and should not intervene in the performance or management of matters within the authority of the Company’s management.

Article 15. Meetings
1. Once the meeting schedule of the Board of Directors has been approved, the chair and secretary of the Committee shall prepare a proposed annual meeting schedule, ensuring that the number of meetings do not exceed seven per year and that they are held on days prior to the meetings of the Board of Directors.

2. The proposed schedule shall include the tentative agendas and any appearances that may be deemed necessary. This proposal shall systematically reflect the agenda for the meetings, planning fixed sections for issues that are dealt with on a recurring basis, and other sections for issues that are only dealt with at particular meetings.

3. The secretary of the Committee shall send the proposed schedule to the secretary of the Board of Directors for validation and subsequent preparation of the meeting schedule of the corporate decision-making bodies, pursuant to the provisions of article 29.7 of the Regulations of the Board of Directors.
4. Without prejudice to the provisions of the preceding sections, the Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto, as well as when requested by at least two of its members. Prior to sending a call to a meeting not provided for in the meeting schedule of the corporate decision-making bodies, the secretary of the Committee shall send to the secretary of the Board of Directors for validation the date, agenda and any appearances that may be deemed necessary.

5. The chairman of the Board of Directors and the chief executive officer may request informational meetings with the Committee on an exceptional basis.

Article 16. Call to Meeting
1. The secretary of the Committee shall, by order of the chair thereof, call the Committee to meeting at least eight days in advance thereof, except in the case of urgent meetings.
2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting and the documentation expected to be made available to the members of the Committee, which shall first be reviewed by the Office of the Secretary of the Board of Directors to ensure the consistency thereof with the meeting schedule of the corporate decision-making bodies and the Corporate Governance System.
3. No prior call to a meeting of the Committee shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

Article 17. Place of the Meeting
1. Meetings of the Committee shall be held at the place designated in the call to meeting.
2. Meetings of the Committee may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among them and participation in discussion and the casting of votes, all in real time.
3. The members of the Committee in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Committee for all purposes. The meeting shall be deemed to have been held where the largest number of Committee members is located and, if they are in equal numbers, where the chairman or whoever performs the duties thereof is located.

Article 18. Establishment of a Quorum
1. A valid quorum for Committee meetings shall be established with the attendance, in person or by proxy, of a majority of its members.
2. The chair of the Committee shall preside over the meeting. In the event of the vacancy, illness, incapacity, or absence of the chair of the Committee, the meeting shall be chaired by the director having the longest length of service on the Committee, and if equal lengths of service, by the oldest.
3. The secretary of the Committee shall act as secretary for the meeting. In the event of vacancy, illness, incapacity or absence of the secretary of the Committee, the person appointed by the Committee for such purpose shall act as secretary.
4. Committee members may give a proxy to another member by notice delivered by any of the means set forth in article 16 above, addressed to the secretary of the Committee and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in a conflict of interest situation.

Article 19. Resolutions
1. Resolutions of the Committee shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Committee shall have the tie-breaking vote.
2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Committee or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter, shall be made available to all of the directors, and shall be entered in a book of minutes of the Committee.
3. The Committee shall consult the chairman of the Board of Directors and the chief executive of the Company prior to adopting resolutions on matters relating to the executive directors.

Article 20. Conflicts of Interest
When matters to be dealt with at a meeting of the Committee directly affect one of its members or persons related thereto and, in general, when such member is subject to a conflict of interest situation (upon the terms
established in the *Regulations of the Board of Directors*), such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Committee members for purposes of calculating the quorum and majorities with respect to the matter at hand.

**Article 21. Attendance**

1. At the request of the chair of the Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be asked to attend the meetings thereof.
2. By means of a reasoned request made through the secretary of the Board of Directors, the chair of the Committee may also request the attendance of any director, officer, or employee of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto. The secretary of the Board of Directors shall evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the Committee, the identity of the person whose attendance is requested, and the meeting schedules of the corporate decision-making bodies from time to time in effect.
3. Persons who are not members of the Committee may not attend meetings thereof when the matters dealt with are outside the scope of the powers or duties of such persons.
4. The presence of officers, employees or other directors, whether executive or not, at meetings of the Committee shall be on an occasional basis and only when required, after an invitation from the chair of the Committee, shall be strictly limited to those items on the agenda for which they are called, and they shall not attend the decision-making portion of the Committee’s meetings.

**TITLE VI. POWERS OF THE COMMITTEE, PARTICIPATION AND RIGHTS TO RECEIVE INFORMATION OF THE MEMBERS THEREOF, DUTIES AND EVALUATION OF THE OPERATION THEREOF**

**Article 22. Powers and Advice**

1. The Committee may, through the secretary of the Board of Directors, freely access any information or documents available at the Company relating to the matters that are within the Committee’s area of authority and that it deems necessary to perform its duties.
2. The Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the Committee. In such case, the Committee shall ensure that potential conflicts of interest do not prejudice the independence of the outside advice received.

**Article 23. Participation and Rights to Receive Information**

1. In order to promote a diversity of opinions that enriches the analysis and proposals of the Committee, the chair of the Committee shall ensure that all of the members freely participate in the deliberations, without being affected by internal or third-party pressures, and shall encourage constructive dialog among them, promoting free expression and a critical attitude.
2. The chair of the Committee shall channel and provide the information and documentation required to the other members of the Committee sufficiently in advance of each meeting so that they can properly analyse it and prepare for the meeting.

**Article 24. Duties of Committee Members**

1. Committee members must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence. In particular, attendance at meetings of the Committee shall be preceded by the sufficient dedication of its members to analyse and evaluate the information received.
2. In exercising their powers, the members of the Committee shall comply with the provisions of these *Regulations* and applicable law on professional scepticism and critical attitude regarding the conclusions reached by the executive directors and senior officers of the Company, acknowledging the arguments for and against, and with each of the members, and the Committee as a whole, forming their and its own position.
3. Committee members are subject as such to all of the duties of a director set forth in the *Regulations of the Board of Directors*, to the extent they are applicable to the responsibilities discharged by the Committee.

**Article 25. Information to the Board of Directors**

The chair of the Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted during its meetings.
Article 26. Information to the Shareholders at the General Shareholders’ Meeting

1. Pursuant to the provisions of the Regulations of the Board of Directors, the Activities Report of the Board of Directors and of the Committees thereof, which shall include information regarding the operation and the activities of the Committee during the preceding financial year, shall be made available to the shareholders and the other stakeholders for purposes of the call to the General Shareholders’ Meeting.

2. In particular, the section of the Activities Report of the Board of Directors and of the Committees thereof regarding the Committee must allow the shareholders and other interested parties to understand the activities performed by the Committee during the financial year in question, for which reason the publication must contain at least the following aspects:
   a) Description of the regulation of the Committee.
   b) Composition of the Committee during the financial year, including the classification and seniority of each of the members thereof, as well as the significant abilities in terms of knowledge and experience contributed by each member.
   c) The standards used to determine and the rationale explaining the composition of the Committee, particularly in relation to the appointment of members who are not independent directors.
   d) Duties and work performed during the financial year by the Committee, changes therein during the fiscal year and reference to these Regulations.
   e) Meetings held during the financial year and number of attendees, including whether non-members of the Committee have been invited.
   f) Significant activities during the period (reporting those that have been performed with the assistance of external experts).
   g) Evaluation of the operation and performance of the Committee, as well as of the methods used to assess the effectiveness thereof.

Article 27. Evaluation

1. Within the framework of the annual evaluation provided for in the Regulations of the Board of Directors, the Committee shall independently evaluate the performance thereof in order to strengthen the operation thereof and improve planning for the next financial year, for which purpose it shall ask the opinion of the other directors.

2. In the interest of greater transparency, the Activities Report of the Board of Directors and of the Committees thereof shall state the extent to which the evaluation has caused significant changes in the organisation and procedures of the Committee.

TITLE VII. COMPLIANCE, DISSEMINATION, AND INTERPRETATION

Article 28. Compliance and Dissemination

1. The members of the Committee, as well as the other members of the Board of Directors to the extent they are affected, have the obligation to know and comply with these Regulations, for which purpose the secretary of the Board of Directors shall post them on the directors’ website and on the Company’s corporate website.

2. In addition, the Committee shall have the obligation to ensure compliance with these Regulations and to adopt appropriate measures for the required dissemination thereof among the rest of the organisation.

Article 29. Interpretation

1. These Regulations shall be interpreted in accordance with law and the Corporate Governance System.

2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by the Committee itself, and in the absence of such resolution, by the chair of the Committee, who shall be assisted by such persons, if any, as may be appointed by the Board of Directors for such purpose. The Board of Directors shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.

3. In the absence of a specific rule, the provisions of the Regulations of the Board of Directors regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting and approval of the minutes of meetings, shall apply to the Committee to the extent that they are not inconsistent with the nature thereof.
VIII. Regulations of the Remuneration Committee

21 June 2018

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TITLE I. NATURE, OBJECT, AND APPROVAL

Article 1. Nature and Object

1. Pursuant to the Corporate Governance System of IBERDROLA, S.A. (the “Company”), the Board of Directors establishes the Remuneration Committee (the “Committee”), a permanent internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action and which shall be governed by the provisions set forth in the By-Laws, in the Regulations of the Board of Directors, and in these Regulations of the Remuneration Committee (the “Regulations”).

2. The object of these Regulations is to favour the independence of the Committee and to determine the principles of conduct and the rules of internal operation thereof, without prejudice to the powers of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).

3. These Regulations have been prepared taking into account the good governance recommendations generally accepted in international markets and form part of the Corporate Governance System.

Article 2. Approval, Amendment, and Priority

1. These Regulations must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors or of the Committee itself.

2. Any amendment hereof must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors or of the Committee itself.

3. These Regulations further develop and supplement the provisions of the By-Laws and of the Regulations of the Board of Directors applicable to the Committee. The latter provisions shall prevail in the event of conflict with the former.

TITLE II. POWERS

Article 3. Powers

The Committee shall have the following main functions:

a) Propose to the Board of Directors the policies on remuneration of the directors and senior officers and periodically review them, proposing any amendment and update thereof to the Board of Directors.

b) Propose to the Board of Directors the system and amount of annual director remuneration, as well as the individual remuneration of executive directors and other basic terms of their contracts, including any compensation or indemnification payable in the event of removal, in any event pursuant to the provisions of the Corporate Governance System and the director remuneration policy approved by the shareholders at the General Shareholders’ Meeting.

c) Know the remuneration established for the independent directors of the companies of the Group.

d) Report on and submit to the Board of Directors the proposals of the Company’s chief executive regarding the structure of the remuneration payable to senior officers and the basic terms of their contracts.

e) Report on incentive plans and pension supplements for the Group’s workforce, excluding those of the listed country subholding countries and those of the subsidiaries thereof.

f) Conduct a periodic review of the general remuneration programmes for the Group’s workforce, evaluating the adequacy and results thereof.

g) Ensure compliance with the remuneration programmes of the Company and report on the documents to be approved by the Board of Directors for general dissemination regarding information on remuneration, including the Annual Director Remuneration Report and the applicable sections of the Company’s Annual Corporate Governance Report.

TITLE III. COMPOSITION

Article 4. Composition

1. The 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 Committee, from among the non-executive directors, and the majority thereof must classified as independent.
2. The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform.

3. Within the aforementioned limits, the Committee may submit to the Board of Directors a proposal for amendment of the number of Committee members when it is deemed that such number will contribute to the more efficient operation of the Committee.

4. Diversity shall be sought in the composition thereof, particularly as regards, gender, professional experience, competencies, industry knowledge and geographic origin.

**Article 5. Positions**

1. The Board of Directors shall appoint a chair of the Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the Committee than the rest of the members thereof.

2. The Board of Directors shall also appoint a secretary of the Committee, who need not be a director.

**Article 6. Term of Office**

1. Committee members shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

2. Committee members who are re-elected as directors of the Company by resolution of the shareholders at a General Shareholders’ Meeting shall continue in their positions on the Committee, without the need for a new election, unless the Board of Directors resolves otherwise.

**Article 7. Withdrawal**

Committee members shall cease to hold office:

a) When they cease to be directors of the Company.

b) When they cease to be non-executive directors, even if they continue as directors of the Company.

c) Upon expiration of the maximum term for which they were appointed without being re-elected.

d) By resolution of the Board of Directors.

**TITLE IV. TRAINING**

**Article 8. Welcome Programme**

1. Before attending their first meeting, the new members of the Committee shall receive a welcome programme that facilitates their active participation from the first moment.

2. This programme shall cover at least the following aspects:

   a) The role of the Committee and the responsibilities and objectives thereof.

   b) The operation of the other consultative committees of the Board of Directors.

   c) The expected time to be dedicated for each of the positions on the Committee (dedication level commitment).

   d) An overall view of the business and organisational model of the Company and of its strategy, as well as the remuneration policy for the directors and senior officers of the Company.

   e) The Company’s information reporting obligations in the area of remuneration.

**Article 9. Training Programme**

The Committee shall have a periodic training plan that ensures the refreshment of knowledge relating to new developments in the area of remuneration.

**TITLE V. OPERATION**

**Article 10. Annual Work Plan**

1. Before the beginning of each financial year, the Committee shall approve an annual work plan that contemplates at least the following activities:

   a) The establishment of specific goals relating to each of the powers of the Committee, especially those that might be new or relate to significant issues.

   b) The setting of an annual meeting schedule upon the terms set forth in article 11 below. The schedule shall take into account the time to be dedicated to the different duties of the Committee. The meeting schedule of the Board of Directors and the date of the General Shareholders’ Meeting must be taken into account in preparing any reports to be submitted regarding the matters to be handled, as well as the report on the activities of the Committee referred to in article 22 below.
Where appropriate, the meeting schedule shall be supplemented with the scheduling of preparatory work sessions or meetings on specific issues.

c) The planning of the training deemed appropriate for the proper performance of the duties.

2. This planning shall take into account that the members of the Committee have responsibilities, mainly of supervision and advice, and should not intervene in the performance or management of matters within the authority of the Company’s management.

Article 11. Meetings

1. Once the meeting schedule of the Board of Directors has been approved, the chair and secretary of the Committee shall prepare a proposed annual meeting schedule, ensuring that the number of meetings do not exceed seven per year and that they are held on days prior to the meetings of the Board of Directors.

2. The proposed schedule shall include the tentative agendas and any appearances that may be deemed necessary. This proposal shall systematically reflect the agenda for the meetings, planning fixed sections for issues that are dealt with on a recurring basis, and other sections for issues that are only dealt with at particular meetings.

3. The secretary of the Committee shall send the proposed schedule to the secretary of the Board of Directors for validation and subsequent preparation of the meeting schedule of the corporate decision-making bodies, pursuant to the provisions of article 29.7 of the Regulations of the Board of Directors.

4. Without prejudice to the provisions of the preceding sections, the Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto, as well as when requested by at least two of its members. Prior to sending a call to a meeting not provided for in the meeting schedule of the corporate decision-making bodies, the secretary of the Committee shall send to the secretary of the Board of Directors for validation the date, agenda and any appearances that may be deemed necessary.

5. The chairman of the Board of Directors and the chief executive officer may request informational meetings with the Committee on an exceptional basis.

Article 12. Call to Meeting

1. The secretary of the Committee shall, by order of the chair thereof, call the Committee to meeting at least eight days in advance thereof, except in the case of urgent meetings.

2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting and the documentation expected to be made available to the members of the Committee, which shall first be reviewed by the Office of the Secretary of the Board of Directors to ensure the consistency thereof with the meeting schedule of the corporate decision-making bodies and the Corporate Governance System.

3. No prior call to a meeting of the Committee shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

Article 13. Place of the Meeting

1. Meetings of the Committee shall be held at the place designated in the call to meeting.

2. Meetings of the Committee may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among them, and participation in discussion and the casting of votes, all in real time.

3. The members of the Committee in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Committee for all purposes. The meeting shall be deemed to have been held where the largest number of Committee members is located and, if they are in equal numbers, where the chairman or whoever performs the duties thereof is located.

Article 14. Establishment of a Quorum

1. A valid quorum for Committee meetings shall be established with the attendance, in person or by proxy, of a majority of its members.

2. The chair of the Committee shall preside over the meeting. In the event of the vacancy, illness, incapacity, or absence of the chair of the Committee, the meeting shall be chaired by the director having the longest length of service on the Committee, and if equal lengths of service, by the oldest.

3. The secretary of the Committee shall act as secretary for the meeting. In the event of vacancy, illness, incapacity, or absence of the secretary of the Committee, the person appointed by the Committee for such purpose shall act as secretary.
4. Committee members may give a proxy to another member by notice delivered by any of the means set forth in article 12 above, addressed to the secretary of the Committee and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in a conflict of interest situation.

**Article 15. Resolutions**

1. Resolutions of the Committee shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Committee shall have the tie-breaking vote.

2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Committee or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter, shall be made available to all of the directors, and shall be entered in a book of minutes of the Committee.

3. The Committee shall consult the chairman of the Board of Directors and the chief executive of the Company prior to adopting resolutions on matters relating to the executive directors.

**Article 16. Conflicts of Interest**

When matters to be dealt with at a meeting of the Committee directly affect one of its members or persons related thereto and, in general, when such member is subject to a conflict of interest situation (upon the terms established in the Regulations of the Board of Directors), such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Committee members for purposes of calculating the quorum and majorities with respect to the matter at hand.

**Article 17. Attendance**

1. At the request of the chair of the Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be asked to attend the meetings thereof.

2. By means of a reasoned request made through the secretary of the Board of Directors, the chair of the Committee may also request the attendance of any director, officer, or employee of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto. The secretary of the Board of Directors shall evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the Committee, the identity of the person whose attendance is requested, and the meeting schedules of the corporate decision-making bodies from time to time in effect.

3. Persons who are not members of the Committee may not attend meetings thereof when the matters dealt with are outside the scope of the powers or duties of such persons.

4. The presence of officers, employees or other directors, whether executive or not, at meetings of the Committee shall be on an occasional basis and only when required, after an invitation from the chair of the Committee, shall be strictly limited to those items on the agenda for which they are called, and they shall not attend the decision-making portion of the Committee’s meetings.

**TITLE VI. POWERS OF THE COMMITTEE, PARTICIPATION AND RIGHTS TO RECEIVE INFORMATION OF THE MEMBERS THEREOF, DUTIES AND EVALUATION OF THE OPERATION THEREOF**

**Article 18. Powers and Advice**

1. The Committee may, through the secretary of the Board of Directors, freely access any information or documents available at the Company relating to the matters that are within the Committee’s area of authority and that it deems necessary to perform its duties.

2. The Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the Committee. In such case, the Committee shall ensure that potential conflicts of interest do not prejudice the independence of the outside advice received.

**Article 19. Participation and Rights to Receive Information**

1. In order to promote a diversity of opinions that enriches the analysis and proposals of the Committee, the chair of the Committee shall ensure that all of the members freely participate in the deliberations, without being affected by internal or third-party pressures, and shall encourage constructive dialog among them, promoting free expression and a critical attitude.
2. The chair of the Committee shall channel and provide the information and documentation required to the other members of the Committee sufficiently in advance of each meeting so that they can properly analyse it and prepare for the meeting.

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1. Committee members must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence. In particular, attendance at meetings of the Committee shall be preceded by the sufficient dedication of its members to analyse and evaluate the information received.

2. In exercising their powers, the members of the Committee shall comply with the provisions of these Regulations and applicable law on professional scepticism and critical attitude regarding the conclusions reached by the executive directors and senior officers of the Company, acknowledging the arguments for and against, and with each of the members, and the Committee as a whole, forming their and its own position.

3. Committee members are subject as such to all of the duties of a director set forth in the Regulations of the Board of Directors, to the extent they are applicable to the responsibilities discharged by the Committee.

**Article 21. Information to the Board of Directors**

The chair of the Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted during its meetings.

**Article 22. Information to the Shareholders at the General Shareholders’ Meeting**

1. Pursuant to the provisions of the Regulations of the Board of Directors, the Activities Report of the Board of Directors and of the Committees thereof, which shall include information regarding the operation and the activities of the Committee during the preceding financial year, shall be made available to the shareholders and the other stakeholders for purposes of the call to the General Shareholders’ Meeting.

2. In particular, the section of the Activities Report of the Board of Directors and of the Committees thereof regarding the Committee must allow the shareholders and other interested parties to understand the activities performed by the Committee during the financial year in question, for which reason the publication must contain at least the following aspects:
   a) Description of the regulation of the Committee.
   b) Composition of the Committee during the financial year, including the classification and seniority of each of the members thereof, as well as the significant abilities in terms of knowledge and experience contributed by each member.
   c) The standards used to determine and the rationale explaining the composition of the Committee, particularly in relation to the appointment of members who are not independent directors.
   d) Duties and work performed during the financial year by the Committee, changes therein during the fiscal year and reference to these Regulations.
   e) Meetings held during the financial year and number of attendees, including whether non-members of the Committee have been invited.
   f) Significant activities during the period (reporting those that have been performed with the assistance of external experts).
   g) Evaluation of the operation and performance of the Committee, as well as of the methods used to assess the effectiveness thereof.

**Article 23. Evaluation**

1. Within the framework of the annual evaluation provided for in the Regulations of the Board of Directors, the Committee shall independently evaluate the performance thereof in order to strengthen the operation thereof and improve planning for the next financial year, for which purpose it shall ask the opinion of the other directors.

2. In the interest of greater transparency, the Activities Report of the Board of Directors and of the Committees thereof shall state the extent to which the evaluation has caused significant changes in the organisation and procedures of the Committee.
TITLE VII. COMPLIANCE, DISSEMINATION, AND INTERPRETATION

Article 24. Compliance and Dissemination
1. The members of the Committee, as well as the other members of the Board of Directors to the extent they are affected, have the obligation to know and comply with these Regulations, for which purpose the secretary of the Board of Directors shall post them on the directors’ website and on the Company’s corporate website.
2. In addition, the Committee shall have the obligation to ensure compliance with these Regulations and to adopt appropriate measures for the required dissemination thereof among the rest of the organisation.

Article 25. Interpretation
1. These Regulations shall be interpreted in accordance with law and the Corporate Governance System.
2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by the Committee itself, and in the absence of such resolution, by the chair of the Committee, who shall be assisted by such persons, if any, as may be appointed by the Board of Directors for such purpose. The Board of Directors shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.
3. In the absence of a specific rule, the provisions of the Regulations of the Board of Directors regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting and approval of the minutes of meetings, shall apply to the Committee to the extent that they are not inconsistent with the nature thereof.
IX. Regulations of the Corporate Social Responsibility Committee

21 June 2018

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TITLE I. NATURE, OBJECT AND APPROVAL

Article 1. Nature and Object
1. Pursuant to the Corporate Governance System of IBERDROLA, S.A. (the “Company”), the Board of Directors establishes the Corporate Social Responsibility Committee (the “Committee”), a permanent internal informational and consultative body without executive duties, with information, advisory and proposal-making powers within its scope of action and which shall be governed by the provisions set forth in the By-Laws, in the Regulations of the Board of Directors and in these Regulations of the Corporate Social Responsibility Committee (the “Regulations”).
2. The object of these Regulations is to favour the independence of the Committee and to determine the principles of conduct and the rules of internal operation thereof, without prejudice to the powers of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).
3. These Regulations have been prepared taking into account the good governance recommendations generally accepted in international markets and form part of the Corporate Governance System.

Article 2. Approval, Amendment, and Priority
1. These Regulations must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors or of the Committee itself.
2. Any amendment hereof must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors or of the Committee itself.
3. These Regulations further develop and supplement the provisions of the By-Laws and of the Regulations of the Board of Directors applicable to the Committee. The latter provisions shall prevail in the event of conflict with the former.

TITLE II. POWERS

Article 3. Powers regarding the Mission, Vision and Values of the Iberdrola Group
The Committee has the duty of advising the Board of Directors, within the scope of its powers, on the approval and amendment of the Mission, Vision and Values of the Iberdrola group.

Article 4. Powers regarding Corporate Social Responsibility and Sustainability
In this regard, the Committee shall have the following main functions:

a) Conduct a periodic review of the Social Responsibility Policies and propose the amendment and update thereof to the Board of Directors.

b) Supervise and evaluate the processes of relations with the various stakeholders.

c) Report on the annual sustainability report prior to approval thereof by the Board of Directors.

b) Supervise the Company’s actions relating to corporate social responsibility and sustainability and report thereon to the Board of Directors and to the Executive Committee, as appropriate.

e) Be informed regarding the inclusion of the Group in the most widely recognised international sustainability indices.

f) Advise, within its area of authority, on matters such as employment, innovation, satisfaction, diversity, integration, non-discrimination, equality, conciliation, accessibility and mobility.

g) Foster a co-coordinated strategy for the Group’s social action and its sponsorship and patronage plans.

h) Report on the conduct of general interest and corporate social responsibility activities by entities in the nature of foundations related to the Group to which such activities have been entrusted.

i) Assess and review the Company’s plans implementing the Social Responsibility Policies and monitor the level of compliance therewith.

j) Assess the Group’s status in connection with corporate social responsibility.

k) Advise the Board of Directors regarding compliance with and effects of the public initiatives launched in the various countries where the Group does business to promote corporate social responsibility.

l) Assess draft bills on corporate social responsibility and related activities (equality, social and environmental variables in Government agreements, etc.) and their possible effects on the Group’s activities.
m) Be informed of the possible influence on the Group of European corporate social responsibility laws and regulations as well as of domestic, autonomous community and local laws dealing with corporate social responsibility.

n) Analyse voluntary initiatives and documents with recommendations concerning corporate social responsibility that appear in the market.

o) Disseminate internally the latest communication and responsible marketing trends.

p) Be informed of and advise the Board of Directors regarding the latest responsible innovation trends.

q) Be informed of best corporate practices using systematic measurement tools, in order to evaluate the corporate social responsibility positioning of competitor companies.

r) Review the various corporate social responsibility measurement and observation tools implemented at the domestic and international levels and provide recommendations to improve the positioning of the Group.

s) Issue such other reports and take such other actions in the area of corporate social responsibility and sustainability as may also fall within its purview pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

For these purposes, the scope of corporate social responsibility and sustainability comprises the Group’s contribution to sustainable development, respect for the surroundings and the environment, social action, quality and innovation, which are actualised in the principles, values and practices defined in the Mission, Vision and Values of the Iberdrola Group and in the General Corporate Social Responsibility Policy approved by the Board of Directors.

Article 5. Powers regarding Corporate Reputation

In this regard, the Committee shall have the following main functions:

a) Monitor the Company’s actions relating to corporate reputation and report thereon to the Board of Directors and to the Executive Committee, as appropriate.

b) Report on the corporate reputation contents of the Group’s annual reports prior to approval thereof by the Board of Directors.

c) Supervise the inclusion of elements to improve the management of intangible assets such as reputation, brand image, intellectual capital, internationalisation, transparency and ethics.

d) Report on the activities in the area of corporate reputation carried out by entities in the nature of foundations related to the Group.

e) Review the plans for implementation of the Company’s corporate reputation strategy and monitor the level of compliance therewith.

f) Issue such other reports and take such other actions in the area of corporate reputation as may also fall within its purview pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

The scope of corporate reputation comprises matters relating to image management, brand, external communications, institutional relations and other aspects relating to the generation of trust and transparency towards its stakeholders, as required under the Group’s corporate model and as determined by the Board of Directors.

Article 6. Powers regarding the Company’s Corporate Governance and Regulatory Compliance

In this regard, the Committee shall have the following main functions:

a) Conduct a periodic review of the Corporate Governance System, with special emphasis on the Corporate Governance Policies, and propose to the Board of Directors, for the approval thereof or for submission to the shareholders at a General Shareholders’ Meeting, such amendments and updates as may contribute to the development and ongoing improvement thereof.

b) Monitor the Company’s corporate governance strategy.

c) Monitor compliance with legal requirements and with the rules and regulations of the Corporate Governance System, particularly in relation to the application of the Shareholder Engagement Policy and the Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors.

d) Report on the Company’s Annual Corporate Governance Report prior to the approval thereof, obtaining for such purpose the reports of the Audit and Risk Supervision Committee, the Appointments Committee and the Remuneration Committee with respect to the sections of such report that are within its powers.

e) Issue its prior opinion on the annual report on the effectiveness of the Group’s compliance system prepared by the Compliance Unit and submit it to the Board of Directors.
f) Examine the level of compliance by the Company with generally recognised good governance recommendations and, if appropriate, of compliance therewith by the other companies of the Group.

g) Report on proposed amendments of the Code of Ethics.

h) Receive information from the Compliance Unit regarding proposed amendments of the Code of Ethics and regarding any significant issue relating to the application of and compliance with the Code of Ethics.

i) Use the Compliance Unit to review the Company’s internal policies and procedures in order to prevent improper conduct and identify policies or procedures that may be more effective in promoting the highest ethical standards.

j) Review and validate the annual operating budget of the Compliance Unit, for submission thereof to the Board of Directors through the chairman of the Board, as well as its annual activity plan, and endeavour to ensure that the Compliance Unit has the material and human resources required to discharge its duties.

k) Report on proposed amendments of the Regulations of the Board of Directors and of the Regulations of the Compliance Unit.

**TITLE III. COMPOSITION**

**Article 7. Composition**

1. The 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 Committee, from among the non-executive directors, and the majority thereof must classified as independent.

2. The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform.

3. Within the aforementioned limits, the Committee may submit to the Board of Directors a proposal for amendment of the number of Committee members when it is deemed that such number will contribute to the more efficient operation of the Committee.

4. Diversity shall be sought in the composition thereof, particularly as regards, gender, professional experience, competencies, industry knowledge and geographic origin.

**Article 8. Positions**

1. The Board of Directors shall appoint a chair of the Committee from among the members forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the Committee than the rest of the members thereof.

2. The Board of Directors shall also appoint a secretary of the Committee, who need not be a director.

**Article 9. Term of Office**

1. Committee members shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

2. Committee members who are re-elected as directors of the Company by resolution of the shareholders at a General Shareholders’ Meeting shall continue in their positions on the Committee, without the need for a new election, unless the Board of Directors resolves otherwise.

**Article 10. Cessation of Office**

Committee members shall cease to hold office:

a) When they cease to be directors of the Company.

b) When they cease to be external directors, even if they continue as directors of the Company.

c) Upon expiration of the maximum term for which they were appointed without being re-elected.

d) By resolution of the Board of Directors.

**TITLE IV. TRAINING**

**Article 11. Welcome programme**

1. Before attending their first meeting, the new members of the Committee shall receive a welcome programme that facilitates their active participation from the first moment.

2. This programme shall cover at least the following aspects:

   a) The role of the Committee and the responsibilities and objectives thereof.

   b) The operation of the other consultative committees of the Board of Directors.
c) The expected time to be dedicated for each of the positions on the Committee (dedication level commitment).

d) An overall view of the business and organisational model of the Company and its strategy, particularly in the area of corporate social responsibility; most significant risks in the area of regulatory compliance; as well as its Corporate Governance System.

e) Information reporting obligations of the Company in the area of corporate social responsibility, sustainability, corporate reputation, corporate governance of the Company and regulatory compliance.

**Article 12. Training Programme**
The Committee shall have a periodic training plan that ensures the refreshment of knowledge relating to the latest trends in the area of corporate social responsibility, the most significant risks relating to regulatory compliance, and best corporate governance practices in the international markets.

**TITLE V. OPERATION**

**Article 13. Annual Work Plan**

1. Before the beginning of each financial year, the Committee shall approve an annual work plan that contemplates at least the following activities:
   a) The establishment of specific goals relating to each of the powers of the Committee, especially those that might be new or relate to significant issues.
   b) The setting of an annual meeting schedule upon the terms set forth in article 14 below. The schedule shall take into account the time to be dedicated to the different duties of the Committee. The meeting schedule of the Board of Directors and the date of the General Shareholders’ Meeting must be taken into account in preparing any reports to be submitted regarding the matters to be handled, as well as the report on the activities of the Committee referred to in article 25 below.

   Where appropriate, the meeting schedule shall be supplemented with the scheduling of preparatory work sessions or meetings on specific issues.

   c) The planning of the training deemed appropriate for the proper performance of the duties.

2. This planning shall take into account that the members of the Committee have responsibilities, mainly of supervision and advice, and should not intervene in the performance or management of matters within the authority of the Company’s management.

**Article 14. Meetings**

1. Once the meeting schedule of the Board of Directors has been approved, the chair and secretary of the Committee shall prepare a proposed annual meeting schedule, ensuring that the number of meetings do not exceed seven per year and that they are held on days prior to the meetings of the Board of Directors.

2. The proposed schedule shall include the tentative agendas and any appearances that may be deemed necessary. This proposal shall systematically reflect the agenda for the meetings, planning fixed sections for issues that are dealt with on a recurring basis, and other sections for issues that are only dealt with at particular meetings.

3. The secretary of the Committee shall send the proposed schedule to the secretary of the Board of Directors for validation and subsequent preparation of the meeting schedule of the corporate decision-making bodies, pursuant to the provisions of article 29.7 of the Regulations of the Board of Directors.

4. Without prejudice to the provisions of the preceding sections, the Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto, as well as when requested by at least two of its members. Prior to sending a call to a meeting not provided for in the meeting schedule of the corporate decision-making bodies, the secretary of the Committee shall send to the secretary of the Board of Directors for validation the date, agenda and any appearances that may be deemed necessary.

5. The chairman of the Board of Directors and the chief executive officer may request informational meetings with the Committee on an exceptional basis.

**Article 15. Call to Meeting**

1. The secretary of the Committee shall, by order of the chair thereof, call the Committee to meeting at least eight days in advance thereof, except in the case of urgent meetings.

2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting and the documentation expected to be made available to the members of the Com-
mittee, which shall first be reviewed by the Office of the Secretary of the Board of Directors to ensure the consistency thereof with the meeting schedule of the corporate decision-making bodies and the Corporate Governance System.

3. No prior call to a meeting of the Committee shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

**Article 16. Place of the Meeting**

1. Meetings of the Committee shall be held at the place designated in the call to meeting.

2. Meetings of the Committee may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among them and participation in discussion and the casting of votes, all in real time.

3. The members of the Committee in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Committee for all purposes. The meeting shall be deemed to have been held where the largest number of Committee members is located and, if they are in equal numbers, where the chairman or whoever performs the duties thereof is located.

**Article 17. Establishment of a Quorum**

1. A valid quorum for Committee meetings shall be established with the attendance, in person or by proxy, of a majority of its members.

2. The chair of the Committee shall preside over the meeting. In the event of the vacancy, illness, incapacity, or absence of the chair of the Committee, the meeting shall be chaired by the director having the longest length of service on the Committee, and if equal lengths of service, by the oldest.

3. The secretary of the Committee shall act as secretary for the meeting. In the event of vacancy, illness, incapacity, or absence of the secretary of the Committee, the person appointed by the Committee for such purpose shall act as secretary.

4. Committee members may give a proxy to another member by notice delivered by any of the means set forth in article 15 above, addressed to the secretary of the Committee and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in a conflict of interest situation.

**Article 18. Resolutions**

1. Resolutions of the Committee shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Committee shall have the tie-breaking vote.

2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Committee or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter, shall be made available to all of the directors, and shall be entered in a book of minutes of the Committee.

**Article 19. Conflicts of Interest**

When matters to be dealt with at a meeting of the Committee directly affect one of its members or persons related thereto and, in general, when such member is subject to a conflict of interest situation (upon the terms established in the Regulations of the Board of Directors), such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Committee members for purposes of calculating the quorum and majorities with respect to the matter at hand.

**Article 20. Attendance**

1. At the request of the chair of the Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be asked to attend the meetings thereof.

2. By means of a reasoned request made through the secretary of the Board of Directors, the chair of the Committee may also request the attendance of members of the Foundations Committee of the Iberdrola Group, of any director, officer or employee of the Group, of any member of the management decision-making bodies of the companies forming part of the Group whose appointment has been proposed by the Company, and of any director, officer or employee of entities in the nature of foundations related to the Group, provided there is no legal impediment thereto. The secretary of the Board of Directors shall evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the Commit-
tee, the identity of the person whose attendance is requested, and the meeting schedules of the corporate
decision-making bodies from time to time in effect.

3. Persons who are not members of the Committee may not attend meetings thereof when the matters dealt
with are outside the scope of the powers or duties of such persons.

4. The presence of officers, employees or other directors, whether executive or not, at meetings of the Com-
mittee shall be on an occasional basis and only when required, after an invitation from the chair of the
Committee, shall be strictly limited to those items on the agenda for which they are called, and they shall
not attend the decision-making portion of the Committee’s meetings.

TITLE VI. POWERS OF THE COMMITTEE, PARTICIPATION AND RIGHTS TO RECEIVE INFORMATION
OF THE MEMBERS THEREOF, DUTIES AND EVALUATION OF THE OPERATION THEREOF

Article 21. Powers and Advice

1. The Committee may, through the secretary of the Board of Directors, freely access any information or doc-
uments available at the Company relating to the matters that are within the Committee’s area of authority
and that it deems necessary to perform its duties.

2. Furthermore, the Committee may, through the secretary of the Board of Directors, request any kind of infor-
mation or documents available to the Foundations Committee of the Iberdrola Group relating to the matters
that are within the Committee’s area of authority and that it deems necessary to perform its duties.

3. The Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals,
who shall address their reports directly to the chair of the Committee. In such case, the Committee shall
ensure that potential conflicts of interest do not prejudice the independence of the outside advice received.

Article 22. Participation and Rights to Receive Information

1. In order to promote a diversity of opinions that enriches the analysis and proposals of the Committee, the
chair of the Committee shall ensure that all of the members freely participate in the deliberations, without
being affected by internal or third-party pressures, and shall encourage constructive dialog among them,
promoting free expression and a critical attitude.

2. The chair of the Committee shall channel and provide the information and documentation required to the
other members of the Committee sufficiently in advance of each meeting so that they can properly analyse
it and prepare for the meeting.

Article 23. Duties of Committee Members

1. Committee members must act with independence of judgement and action with respect to the rest of the
organisation and perform their work with the utmost diligence and professional competence. In particular,
attendance at meetings of the Committee shall be preceded by the sufficient dedication of its members to
analyse and evaluate the information received.

2. In exercising their powers, the members of the Committee shall comply with the provisions of these Regula-
tions and applicable law on professional scepticism and critical attitude regarding the conclusions reached
by the executive directors and senior officers of the Company, acknowledging the arguments for and
against, and with each of the members, and the Committee as a whole, forming their and its own position.

3. Committee members are subject as such to all of the duties of a director set forth in the Regulations of the
Board of Directors, to the extent they are applicable to the responsibilities discharged by the Committee.

Article 24. Information to the Board of Directors

The chair of the Committee shall inform the Board of Directors, at the next meeting thereof following the meet-
ings of the committee, of the matters dealt with and the resolutions adopted during its meetings.

Article 25. Information to the Shareholders at the General Shareholders’ Meeting

1. Pursuant to the provisions of the Regulations of the Board of Directors, the Activities Report of the Board of
Directors and of the Committees thereof, which shall include information regarding the operation and the
activities of the Committee during the preceding financial year, shall be made available to the shareholders
and the other stakeholders for purposes of the call to the General Shareholders’ Meeting.

2. In particular, the section of the Activities Report of the Board of Directors and of the Committees thereof re-
garding the Committee must allow the shareholders and other interested parties to understand the activities
performed by the Committee during the financial year in question, for which reason the publication must
contain at least the following aspects:
a) Description of the regulation of the Committee.
b) Composition of the Committee during the financial year, including the classification and seniority of each of the members thereof, as well as the significant abilities in terms of knowledge and experience contributed by each member.
c) The standards used to determine and the rationale explaining the composition of the Committee, particularly in relation to the appointment of members who are not independent directors.
d) Duties and work performed during the financial year by the Committee, changes therein during the fiscal year and reference to these Regulations.
e) Meetings held during the financial year and number of attendees, including whether non-members of the Committee have been invited.
f) Significant activities during the period (reporting those that have been performed with the assistance of external experts).
g) Evaluation of the operation and performance of the Committee, as well as of the methods used to assess the effectiveness thereof.

Article 26. Evaluation
1. Within the framework of the annual evaluation provided for in the Regulations of the Board of Directors, the Committee shall independently evaluate the performance thereof in order to strengthen the operation thereof and improve planning for the next financial year, for which purpose it shall ask the opinion of the other directors.
2. In the interest of greater transparency, the Activities Report of the Board of Directors and of the Committees thereof shall state the extent to which the evaluation has caused significant changes in the organisation and procedures of the Committee.

TITLE VII. COMPLIANCE, DISSEMINATION, AND INTERPRETATION

Article 27. Compliance and Dissemination
1. The members of the Committee, as well as the other members of the Board of Directors to the extent they are affected, have the obligation to know and comply with these Regulations, for which purpose the secretary of the Board of Directors shall post them on the directors’ website and on the Company’s corporate website.
2. In addition, the Committee shall have the obligation to ensure compliance with these Regulations and to adopt appropriate measures for the required dissemination thereof among the rest of the organisation.

Article 28. Interpretation
1. These Regulations shall be interpreted in accordance with law and the Corporate Governance System.
2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by the Committee itself, and in the absence of such resolution, by the chair of the Committee, who shall be assisted by such persons, if any, as may be appointed by the Board of Directors for such purpose. The Board of Directors shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.
3. In the absence of a specific rule, the provisions of the Regulations of the Board of Directors regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting and approval of the minutes of meetings, shall apply to the Committee to the extent that they are not inconsistent with the nature thereof.
X. Internal Rules on Composition and Duties of the Operating Committee

31 March 2017

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Article 1. Purpose
1. The Board of Directors of IBERDROLA, S.A. (the “Company”) has assumed an ongoing commitment to update and improve the Corporate Governance System of the Company. Accordingly, it has been promoting the approval of various internal rules that may contribute to enhancing the transparency of the corporate and governance structure of the group of which the Company is the controlling entity, within the meaning established by law (the “Group”).
2. In this context, these Internal Rules on Composition and Duties of the Operating Committee form part of the Company’s Corporate Governance System and constitute an instrument of efficiency, as well as a tool for bringing transparency to the shareholders and the markets in general regarding an essential function in the organisation of the Company’s senior management, in furtherance of better coordination at the Group and, therefore, in the interest of all of the companies belonging thereto.

Article 2. The Operating Committee as a Part of the Governance Structure of the Company and its Group
1. The governance structure of the Group described in the Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation duly distinguishes between day-to-day and effective management duties attributed to the head of business companies and supervision and control duties attributed to the Company, which only exercises the duties of a holding company, and the country subholding companies, which strengthens the strategic organisation and coordination function in each country.
2. The Operating Committee is an internal committee of the Company and engages in its activities under the immediate control of and as directed by the chairman of its Board of Directors & chief executive officer.
3. In particular, the Operating Committee provides technical support to the chairman of the Board of Directors & chief executive officer, who, together with the Business CEO (consejero-director general de los negocios del Grupo) appointed for this duty by the Board of Directors, with overall responsibility for all of the businesses of the Group, and the rest of the management team, assumes the duty of strategic organisation and coordination of the Group through the dissemination, implementation and monitoring of the general strategy and the basic management guidelines established by the Board of Directors.

Article 3. Duties of the Operating Committee
1. It is a core duty of the Operating Committee to provide technical, informational, and management support with respect to the supervision and monitoring and strategic planning duties of the businesses that the Board of Directors of the Company must define for the Group as a whole and that its chairman & chief executive officer must promote and implement together with the Business CEO and the rest of the management team, thus permitting the development of the Group’s Business Model, based on the coexistence of a decentralised structure of decision-making processes and the global integration of the businesses.
2. In this regard, the Operating Committee shall establish methodologies, analysis systems, procedures for the supervision of decisions, and monitoring instruments at the Group level, in the interest and for the benefit of all the companies thereof, with due respect at all times for the scope of the day-to-day management and effective administration within the power of the corporate governance and management decision-making bodies of each of the head of business companies.
3. In order to perform its duties, the Operating Committee shall promote the establishment of internal rules (regarding investments and divestments, purchases, corporate services, etc.) that shall serve as instruments of coordination for the benefit and in the interest of all the Group companies, thereby facilitating the supervision and monitoring of decision-making in order to ensure compliance with the management strategies and guidelines established by the Board of Directors of the Company, as the controlling company within the Group.

Article 4. Composition and Operation of the Operating Committee
1. The chairman & chief executive officer of the Company shall establish the composition of the Operating Committee, having regard to the duties assigned thereto. In any event, the Business CEO shall be part of the Operating Committee. Those persons that the chairman & chief executive officer deems appropriate may also attend its meetings as invitees, either regularly or at a specific meeting.
2. The Operating Committee shall be chaired and managed by the chairman & chief executive officer of the Company, who shall establish the rules governing the operation thereof. The chief of cabinet of the chairman & chief executive officer shall act as secretary.
3. Company officers other than the members of the Operating Committee and the officers of the various country subholding and head of business companies of the Group may appear at the Operating Committee in order to facilitate an exchange of information with the senior management of the Company in furtherance of better coordination and decision-making for the implementation of the management strategies and guidelines established at the Group level.

4. In the performance of its duties, the Operating Committee fully respect the rules governing the segregation of regulated activities applicable in each jurisdiction, as well as the applicable legal requirements in the various markets and regions in which the Group carries out its activities.
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Introduction to the Compliance

1. Pursuant to the provisions of article 8 of its By-Laws, Iberdrola’s Corporate Governance System defines and includes its own internal system, which, in exercising the corporate autonomy supported by law, is established to ensure the best compliance with the social contract that binds its shareholders.

2. According to the provisions of its By-Laws and the Mission, Vision and Values of the Iberdrola group, the Company aspires for both its own conduct as well as that of the people connected therewith to be consistent with and conform to not only the requirements or demands established by applicable rules and laws, but also, beyond this minimum required level, to its own Corporate Governance System, and particularly to the generally accepted universal ethical and social responsibility principles set out in such system.

In other words, Iberdrola does not conceive of compliance as merely required conduct that reduces potential risks and liabilities, but rather, going a step further, configures it as an opportunity to create value and strengthen the principles and values that sustain its organisation and operation, and its Corporate Governance System generally.

3. This set of rules, grouped together as Book V of the Corporate Governance System, includes the following codes, rules and procedures:
   i. The Code of Ethics.
   ii. The Regulations of the Compliance Unit.
   iii. The Internal Regulations for Conduct in the Securities Markets.
   iv. The Internal Rules for the Processing of Inside Information.
   v. The Action Protocol for Investigating Possible Unlawful Uses of Inside Information.
   vii. The Procedure for Conflicts of Interest and Related Party Transactions with Senior Officers.

4. This Book V is made up not only of the principal rules, protocols and procedures that prevent improper actions or behaviour, but also has other components of a different nature, like the Code of Ethics and the Regulations of the Compliance Unit, which demonstrate Iberdrola’s commitment to ethical principles and best practices in the area of corporate governance and social responsibility.

The first further develops and formalises the principles of this nature set out in the Mission, Vision and Values of the Iberdrola group, establishing a set of guidelines and standards of conduct intended to encourage ethical and responsible behaviour by all professionals of the Group, regardless of their hierarchical level, in carrying out its business activities within a global, complex and changing environment.

The second not only presupposes but also structures and regulates the Compliance Unit, envisaged as a collective permanent and internal body linked to the Corporate Social Responsibility Committee of the Board of Directors, acting independently, with special budgetary rules and very broad proactive powers and duties in training, prevention, inspection and sanction within its extensive area of activity.

5. The rules included in this Book, which structure the Company’s Compliance System, are subject to a process of permanent review to conform them to the changing three-dimensional circumstances (business, corporate and institutional) within which Iberdrola engages in its activities, and which is binding upon its directors, officers and other professionals, as well as any persons generally who are validly bound by the rules included therein.

In Bilbao, on 12 April 2018

The Board of Directors of Iberdrola, S.A.
I. Code of Ethics

19 December 2017

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Chapter I. Introduction

Article 1. Purpose

1. Pursuant to the provisions of its By-Laws, IBERDROLA, S.A. (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.

2. This Code of Ethics, which contains the by-law commitment referred to in the preceding section, is intended to develop the ethical principles contained in the Mission, Vision and Values of the Iberdrola group and serves as a guide for the conduct of the professionals of the Company and of the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”), in a global, complex and changing environment.

3. In addition, the Code of Ethics has been prepared taking into account the good governance recommendations generally recognised in international markets and the social responsibility principles accepted by the Company, constituting a basic reference for observance of such initiatives and practices by the Group. It also deals with the new prevention obligations imposed within the area of criminal liability for legal entities.

4. The Code of Ethics sets forth the Company’s commitment to the principles of business ethics and transparency in all areas of activity and establishes a set of principles and guidelines for conduct designed to ensure ethical and responsible behaviour by all professionals of the Group in the performance of their activities.

5. The Code of Ethics forms a part of the Company’s Corporate Governance System, and is fully respectful of the principles of corporate organisation established therein.

Article 2. Scope of Application

1. The principles and guidelines for conduct contained in the Code of Ethics apply to all professionals of the Group, regardless of their rank, their geographical or functional location, or the Group company to which they provide their services.

For purposes of the Code of Ethics, the Group’s professionals are deemed to be the officers and employees of all companies and entities forming a part thereof, as well as those other persons whose activities are expressly made subject to the Code of Ethics.

2. Observance of the Code of Ethics is understood to be without prejudice to strict compliance with the Company’s Corporate Governance System, especially the Internal Regulations for Conduct in the Securities Markets and the rules in implementation thereof, the Corporate Governance and Regulatory Compliance Policies and the applicable rules on separation of activities in each jurisdiction in which the Group carries out regulated activities.

3. The professionals of the companies of the Group to whom other ethical codes or codes of conduct also apply, whether industry-based or arising under the domestic law of those countries in which they carry out their activities, shall also observe such other ethical codes or codes of conduct. Such codes of ethics or conduct shall embrace the Mission, Vision and Values of the Iberdrola group and shall reflect the principles set forth in the Code of Ethics.

In the case of listed subsidiaries forming part of the Group that must approve their own code of ethics or equivalent rules due to mandate of law or a resolution of their management decision-making body, such code or rules shall preferentially apply to their professionals.

4. Professionals acting as representatives of the Group at companies and entities that do not belong thereto shall observe the Code of Ethics in the performance of such activity to the extent that it is not inconsistent with the regulations of the company or entity at which they act as representatives of the Group. At those companies and entities in which the Group, while not having a majority stake, is responsible for management, the professionals representing the Group shall promote compliance with the provisions of the Mission, Vision and Values of the Iberdrola group and the rules of conduct established in the Code of Ethics.

5. Those professionals of the Group who manage or direct teams of people in the performance of their duties must also ensure that the professionals for which they are directly responsible know and comply with the Code of Ethics and lead by example, acting as benchmarks for conduct within the Group.

Article 3. Mission, Vision and Values of the Iberdrola Group

1. The Board of Directors of the Company has approved the Mission, Vision and Values of the Iberdrola group. Far from being a mere statement of principles, the content thereof governs day-to-day activities at all of the Group companies and guides their strategy and all their actions.
2. Professional conduct in compliance with the principles contained in the Mission, Vision and Values of the Iberdrola group, which inspire and take form in the Corporate Policies, the Code of Ethics and the other regulations comprising the Corporate Governance System is the best assurance of the commitment to the creation of value for the communities in which the Group operates and for the Company’s shareholders.

Article 4. Interpretation and Integration of the Code of Ethics
1. The Compliance Unit is the body responsible for the general interpretation and integration of the Code of Ethics. Its interpretative opinions, which must take into account the provisions of the Mission, Vision and Values of the Iberdrola group, are binding on all professionals of all of the companies belonging to the Group.
2. The Code of Ethics, by its nature, does not deal with potential situations but rather establishes the standards to guide the conduct of the Group’s professionals and to resolve any issues that might arise while carrying out their professional activities.
3. Any question that arises for the Group’s professionals regarding the interpretation of the Code of Ethics should be discussed with an immediate superior. If the circumstances so require, it may be referred to the Compliance Unit, through the director thereof, or, when appropriate, to the compliance divisions that may exist at the country subholding companies or head of business companies of the Group.
4. In cases in which the country subholding or head of business companies of the Group have codes of ethics that are not identical to this Code of Ethics but rather include specific provisions to conform the content thereof to applicable domestic legal or industry-specific provisions, any compliance divisions at such companies shall interpret the latter, although the interpretation of the provisions of this Code of Ethics shall always be reserved to the Compliance Unit.

Chapter II. Compliance Unit

Article 5. Compliance Unit
1. The Compliance Unit is an internal and permanent collective body linked to the Corporate Social Responsibility Committee of the Company’s Board of Directors, and is responsible for proactively ensuring the effective operation of the Company’s compliance system, configured in accordance with the provisions of the Corporate Governance System.
2. Provided that applicable law so allows, the Compliance Unit shall have access through the secretary of the Board of Directors to the information, documents and offices of the companies, directors, officers and employees of the Group, including the minutes of the management, supervisory and control bodies, that may be necessary for the proper performance of its duties. In that regard, all employees, officers and directors of such companies must provide to the Compliance Unit such cooperation as is requested of them for the proper performance of its duties.
3. The Compliance Unit shall have the material and human resources needed to perform its duties.
4. The Compliance Unit shall inform the Corporate Social Responsibility Committee, at least annually and whenever it deems necessary or is requested to do so, of the measures adopted to ensure compliance with the Code of Ethics. Furthermore, the Compliance Unit shall inform the Corporate Social Responsibility Committee of any issue it finds to be of sufficient importance.
5. The Committee shall also periodically inform the Corporate Social Responsibility Committee of the main conclusions and opinions that it issues in the performance of its duties.

Article 6. Relations with the Country Subholding Companies and Head of Business Companies of the Group
1. The duties and activities of the Compliance Unit shall be deemed to be without prejudice to those initiatives adopted by the boards of directors of the country subholding companies and head of business companies of the Group within their own areas of activity to promote awareness of and adherence to the Code of Ethics. The country subholding companies and head of business companies of the Group shall periodically inform the Compliance Unit of any initiatives adopted in this regard.
2. In order to properly exercise of the powers attributed to the Compliance Unit in the Code of Ethics, and with due respect for the scope of action of the country subholding companies and head of business companies of the Group, the Compliance Unit shall establish the framework of relations for coordination, cooperation and information with the compliance divisions that may exist at such companies, taking into account for such purpose the special characteristics that may arise from listed company status, nationality or any other circumstances that may affect certain companies of the Group.
Furthermore, the powers of the Compliance Unit under the Code of Ethics shall be deemed to be without prejudice to the management and supervision responsibilities corresponding to other bodies and divisions of the Company and to the administrative and management decision-making bodies of the country subholding companies and head of business companies of the Group and to equivalent bodies in other jurisdictions in accordance with the corporate and governance structure of the Group, and particularly with respect to the application of relevant disciplinary measures.

Chapter III. General Rules of Professional Conduct

Article 7. Compliance with Law and with the Corporate Governance System

1. Group professionals shall comply strictly with the laws in force in the jurisdiction of their workplace, heeding both the spirit and the purpose of such legal provisions, and shall observe the provisions of the Code of Ethics, the rules of the Corporate Governance System and the basic procedures governing the activities of the Group and of the company in which they provide their services. They shall also fully observe all obligations and commitments assumed by the Group in its contractual relations with third parties, as well as the usage and good practice of the countries in which they carry out their activities.

2. The officers of the Group shall have particular knowledge of the laws and regulations, including internal ones, affecting their respective areas of activity, and must ensure that the professionals reporting to them receive the required information and training to enable such professionals to understand and fulfil the legal and regulatory obligations, including internal ones, applicable to their position.

3. Group companies shall ensure compliance with applicable tax regulations and shall strive to achieve appropriate coordination of the tax policy followed by all of them, within the framework of furtherance of the corporate interest and of support for the long-term business strategy, avoiding tax risks and inefficiencies in the implementation of business decisions.

4. The Group shall respect and abide by all court and/or governmental decisions or resolutions that may be issued, but reserves the right to file such appeals as may be appropriate against any such decisions or resolutions when it believes that they do not conform to the law and are contrary to its interests.

Article 8. Irreproachable Professional Conduct

1. The standards that govern the conduct of the Group’s professionals shall be professionalism, integrity and self-control in their actions and decisions:
   a) Professionalism is acting diligently, responsibly and efficiently, focusing on excellence, quality and innovation.
   b) Integrity is acting loyally, honestly, in good faith, objectively and in line with the interests of the Group and with its principles and values as expressed in the Mission, Vision and Values of the Iberdrola group and in the Code of Ethics.
   c) Self-control in actions and in decision-making means that any action performed rests upon four basic premises: (i) that the action is ethically acceptable, (ii) that it is legally valid, (iii) that it is desirable for the Company and the Group, and (iv) that the professional is prepared to assume responsibility therefor.

2. All professionals of the Group have an obligation to report to the Compliance Unit or to the compliance division of the relevant country subholding or head of business company of the Group, which shall in turn inform the Compliance Unit, regarding the commencement, evolution and result of any court, criminal or administrative proceeding for the imposition of penalties, in which a professional is the defendant or accused and which may affect the professional in the performance of the duties thereof as a professional of the Group or prejudice the image or the interests of the Group.

In the event of a report of the commencement of a proceeding of this nature, the Compliance Unit or the respective compliance division of the country subholding or head of business company of the Group shall act in accordance with the protocol approved for such purpose.

Chapter IV. The Group’s Professionals

Article 9. Principles of Non-Discrimination and Equal Opportunity

1. The Group promotes non-discrimination by reason of race, colour, nationality, social origin, age, gender, marital status, sexual orientation, ideology, political opinion, religion or any other personal, physical or social condition of its professionals, as well as equality of opportunity among them.
2. In particular, the Group shall promote equal treatment among men and women as regards access to employment, training, promotion of professionals and working conditions, as well as access to goods and services and the supply thereof.

3. The Group rejects any form of violence, of physical, sexual, psychological, moral or other harassment, of abuse of authority at work and any other conduct creating an atmosphere that is intimidating or offensive to the personal rights of its professionals. Specifically, the Group shall promote measures to prevent sexual harassment and gender-based harassment when deemed necessary.

**Article 10. Reconciliation of Work and Family Life**

The Group respects the personal and family life of its professionals and shall promote reconciliation programmes that encourage a better balance between personal and family life and the employment responsibilities of its professionals.

**Article 11. Right to Privacy**

1. The Group respects the right to privacy of its professionals in all its forms, and particularly as regards personal, medical and financial data.

2. The Group respects the personal communications of its professionals made through the internet and other means of communication.

3. The professionals of the Group undertake to responsibly use the means of communication, computer systems and, in general, any other means made available to them by the Company in accordance with the policies and standards established for such purpose. Such means are not provided for non-professional personal use, and are thus not appropriate for private communication. They therefore do not give rise to an expectation of privacy in the event they must be supervised by the Group in the proportionate exercise of its duties of control.

4. The Group undertakes not to disclose personal data of its professionals, except with the consent of the interested parties and where legally obliged to make such disclosure by statute or to comply with court or administrative orders. Under no circumstances may personal data of the professionals of the Group be processed for purposes other than those provided for by law or by contract.

5. The professionals of the Group that have access to the personal data of other professionals of the Group in the course of their activities shall undertake in writing to respect the confidentiality of such data.

6. The Compliance Unit, the compliance divisions and the other relevant divisions or bodies shall comply with the requirements established in personal data protection legislation regarding communications sent thereto by the professionals in accordance with the provisions of the Code of Ethics.

**Article 12. Workplace Health and Safety**

1. The Group shall promote a workplace health and safety programme and adopt the preventive measures required under current legislation and any other legislation that may be enacted in the future.

2. The professionals of the Group shall observe with particular attention the regulations relating to workplace health and safety, in order to prevent and minimise occupational risks.

3. The Group shall promote compliance with its rules and programmes regarding workplace health and safety by the suppliers with which it does business.

**Article 13. Selection and Assessment**

1. The Group shall maintain a most strict and objective selection programme, considering only the academic, personal and professional merits of candidates and the needs of the Group.

2. The Group shall assess its professionals rigorously and objectively on the basis of their individual and collective professional performance.

3. Group professionals shall participate in any setting of their objectives and shall be informed of the assessments made of them.

**Article 14. Training Policies**

1. The Group shall promote the training of its professionals. Training programmes shall foster equal opportunities and professional career development and shall contribute to the achievement of the Group’s objectives.

2. Group professionals undertake to update their technical and managerial knowledge continuously and to take advantage of the Group’s training programmes.

**Article 15. Information**

The Group shall inform its professionals of the outlines of its strategic objectives and the progress of the Group.
Article 16. Gifts and Presents

1. Group professionals may not give or accept gifts or presents in the performance of their professional activities. As an exception, the delivery and acceptance of gifts or presents shall be allowed if all of the following simultaneously occur:
   a) they are of insignificant or symbolic financial value,
   b) they correspond to signs of courtesy or to customary business gifts and tokens, and
   c) they are not forbidden by law or by generally accepted business practices.

The provisions of article 33 below shall not apply to presents or gifts under the above circumstances.

2. Group professionals may not, directly or through nominees, offer or grant, or solicit or accept, unjustified advantages or benefits that are directly or indirectly intended to obtain a benefit, whether present or future, for the Group, for themselves or for a third party. In particular, they may not give or receive any type of bribe or commission from, or made by, any other party involved, such as government officials (whether Spanish or foreign) or personnel of other companies, political parties, authorities, customers, suppliers or shareholders. Acts of bribery, which are expressly prohibited, include the offer or promise, whether direct or indirect, of any kind of improper advantage, any instrument designed to conceal them, and influence-peddling. Money may also not be received from customers or suppliers on a personal level, even as a loan or advance, the foregoing being independent of loans or credits given to Group professionals by financial institutions that are customers or suppliers of the Group and that are not involved in the activities set forth above.

3. Group professionals may not give or accept hospitality that influences, might influence or might be construed as influencing decisions.

4. In the event of any doubt as to what is acceptable, the offer must be turned down or, if appropriate, first discussed with the professional’s immediate superior, who may refer the question to the Compliance Unit or to the corresponding compliance division, as applicable.

Article 17. Conflicts of Interest

1. A conflict of interest shall be deemed to exist in those circumstances in which there is a direct or indirect conflict between the personal interest of the professional and the interest of any of the companies of the Group. A personal interest of the professional shall exist when the matter affects the professional or a person related thereto.

2. The following shall be deemed to be persons related to the professional:
   a) The spouse of the professional or the person with whom the professional has a like relationship of affection.
   b) The ascendants, descendants and siblings of the professional or of the professional’s spouse (or person related to the professional by a like relationship of affection).
   c) The spouses of the ascendants, descendants and siblings of the professional.
   d) The entities in which the professional, or another person related thereto, directly or through a nominee, falls within any of the control situations established under the law.
   e) The companies or entities in which the professional, or any of the persons related thereto, directly or through a nominee, holds an administrative or management position or a position for which the professional receives remuneration for any reason, provided that the professional also directly or indirectly exercises a significant influence on the financial and operational decisions of such companies or entities.

3. By way of example, the following are circumstances that might give rise to a conflict of interest:
   a) Being involved, personally or through relatives, in any financial transaction or operation to which any of the companies of the Group is party.
   b) Negotiating or formalising contracts on behalf of any of the companies of the Group with individuals who are related to the professional or with legal entities in which the professional or a person related to the professional holds a management position, or is a significant shareholder or director.
   c) Being a significant shareholder or a director, etc. of customers, suppliers or direct or indirect competitors of any of the companies of the Group.

4. Professional decisions must be based on the best defence of the interests of the Group and must not be influenced by personal or family relationships or by any other personal interests of Group professionals.

5. Group professionals shall observe the following general guidelines for action in connection with potential conflicts of interest:
a) Independence: At all times act with professionalism, loyalty to the Group and its shareholders, and independently of their own interests or those of third parties. They shall therefore in no case let their own interests prevail over the interests of the Group.

b) Abstention: Refrain from participating in or influencing the making of decisions that might affect the entities of the Group with which there is a conflict of interest, from participating in meetings at which such decisions are discussed and from accessing confidential information related to such conflict.

c) Communication: report the conflicts of interest in which they are involved, prior to entering into any transaction or to the conclusion of the business in question, in writing to an immediate superior, to the division responsible for the human resources function and to the Compliance Unit or to the compliance division of the relevant Group company, as applicable. The latter shall evaluate the situation in coordination with the division responsible for the human resources function and shall make the appropriate decisions, advising when necessary on the appropriate actions in each particular circumstance. The members of the Compliance Unit involved in a potential conflict of interest must give notice thereof to the Committee, which shall also have the power to resolve questions or conflicts that might arise in this regard.

In the notice, professionals must specify:

— Whether the conflict of interest affects them personally or through a related person, in which case they shall provide the name of such person,

— The circumstances that led to the conflict of interest, describing, if appropriate, the subject matter and the principal terms of the planned transaction or decision,

— The amount or approximate economic valuation thereof,

— The department or person of the Group with whom the respective contacts were made.

The general guidelines for action described above shall be especially observed in those instances in which the conflict of interest is, or may reasonably be expected to be, of such a nature as to constitute a structural and permanent conflict of interest between the professional, or a person related to the professional, and any of the companies of the Group.

6. In order to determine the existence of any possible disqualifications, the division responsible for the human resources function of the Group company in question shall be informed thereof prior to the acceptance of any public office. This division shall in turn inform the Compliance Unit or the compliance division of the corresponding company of the Group, as applicable.

**Article 18. Business Opportunities**

1. Business opportunities shall be deemed to be all investments or transactions relating to the property or assets of the Group of which professionals become aware in the course of their professional activity, in those cases in which the investment or transaction would have been offered to the Group or it has an interest therein.

2. Professionals may not take advantage of business opportunities for their own benefit or for the benefit of related persons, which shall include the persons mentioned in article 17.2 above unless:

a) it has previously been offered to the Group, and

b) the Group has chosen not to take advantage of it without any influence of the professional, or

c) the division responsible for the human resources function of the Group company in question authorises the professional to take advantage of the business opportunity.

3. Professionals may not use the name of the Company or of companies of the Group or invoke their status as professionals thereof to engage in transactions for their own account or for the account of related persons.

**Article 19. Resources and Means for the Performance of Professional Activities**

1. The Group undertakes to make available to its professionals all necessary and appropriate resources and means for them to perform their professional activities.

2. Without prejudice to the mandatory compliance with the Group’s specific rules and procedures regarding resources and means, the Group’s professionals agree to responsibly use the resources and means made available thereto, using them solely for professional activities in the interest of the Group, in order that such resources and means shall not be used for private or personal purposes. The Group’s professionals shall avoid any practices, particularly unnecessary activities and expenses, that reduce the creation of value for the shareholders.
3. The Group owns and holds the right to use and operate the computer software and information technology systems, computer equipment, manuals, videos, projects, studies, reports and other works and rights created, developed, perfected or used by its professionals within the framework of their work or based on the information technology facilities of the Group.

Professionals shall respect the principle of confidentiality in respect of the characteristics of the rights, licences, software, systems and technological knowledge, in general, owned by the Group or which it has the right to operate. The disclosure of any information relating to such characteristics shall require the prior authorisation of the division responsible for the human resources function of the Group company in question.

The use of the information technology equipment, systems, and software made available by the Group to the professionals for the performance of their work, including the facility of access to and operating on the internet, shall conform to standards of security and efficiency, excluding any use, action or information technology function that is unlawful or contrary to the regulations or instructions of the Group.

Professionals shall not operate, reproduce, replicate or assign the Group’s information technology systems or applications for purposes unrelated thereto. In addition, professionals shall not install or use on the computer equipment provided by the Group software or applications that are unlawful to use or that might damage the systems or prejudice the image or the interests of the Group, its customers or third parties.

Article 20. Internal, Confidential and Private Information

1. Non-public information owned by the Group shall generally be deemed to be information for internal use unless it has been classified as confidential or private, and shall any case by subject to professional secrecy and may not be provided to third parties other than in the normal course of their work, profession, or duties, provided, however, that those to whom the information is disclosed must be subject, by law or under contract, to a duty of confidentiality and that they have confirmed to the Company that they have the necessary means to protect it.

2. Information or data that may not be disclosed within or outside the group, may cause harm (financial or reputational) or violates any regulatory or legal requirement, giving rise to the imposition of penalties or claims against companies of the Group, shall be classified as confidential. Highly sensitive or especially valuable information or data, the disclosure of which may cause serious or significant harm, shall be classified as private information.

3. The Group and all its professionals shall be responsible for taking sufficient security measures and for applying the established procedures to protect internal, confidential and private information recorded on physical or electronic media from any internal or external risk of unauthorised access, tampering or destruction, whether intentional or accidental. To such end, the Group professionals shall treat the content of their work as strictly confidential in their relations with third parties.

4. The disclosure of confidential or private information or the use thereof for personal purposes is a breach of the Code of Ethics.

5. Any reasonable indication of a leak of private or confidential information for personal purposes must be reported by those with knowledge thereof to their immediate superior and to the divisions responsible for the security and human resources functions of the Group company in question. The division responsible for the security function must in turn give written notice thereof to the Compliance Unit or to the compliance division of the corresponding company.

6. In the event of severance of an employment or professional relationship, the professional shall return to the Group all internal, confidential and private information, including documents and storage media or devices, as well as the information stored in any corporate or personal electronic device, and the professional’s duty of confidentiality shall continue in all cases.

Article 21. Inside Information

1. Subject to the definition set forth in the Internal Regulations for Conduct in the Securities Markets, inside information is any specific information regarding the Company or the Group that has not been made public and that, if made public, could appreciably influence the listing price of the Company’s shares or other negotiable securities issued by Group companies or related financial instruments.
2. Professionals having access to any inside information of the Group shall adhere to the obligations, limitations and prohibitions set forth in the *Internal Regulations for Conduct in the Securities Markets*, and shall in particular refrain from:

a) Preparing or carrying out any kind of transaction in the shares or other negotiable securities of the Group to which such information refers, including the direct or indirect acquisition, transfer or assignment for themselves or third parties of shares or negotiable securities of the Group to which such information refers, or using this kind of information to cancel or change an order relating to said shares or securities given prior to becoming aware of the inside information. They must also refrain from even attempting to engage in such transactions.

b) Disclosing inside information to third parties other than in the normal course of their work, profession or duties, provided, however, that those to whom the information is disclosed in the normal course of their work, profession or duties must be subject, by law or under contract, to a duty of confidentiality and that they have confirmed to the Company that they have the necessary means to protect it.

c) Recommending to a third party that they engage in any of the transactions referred to in letter a) above or cause another to engage in said transactions based on inside information.

3. The prohibitions established in the previous section apply to any professional having inside information if such professional knows or should have known that it is inside information. They shall also apply to any information regarding other issuers of listed securities that may be deemed to be inside information and to which the professional had access in the ordinary course of such professional’s work, profession or duties.

**Article 22. Publicly Broadcast Events**

Professionals should be especially cautious in any presentation, participation in professional conferences or seminars, or in any other event that may be publicly broadcast and in which they will participate as Group professionals, ensuring that their message is aligned with the Group, and obtaining prior authorisation from their immediate superior, and in any event with timely reporting to the External Communications Division.

**Article 23. Outside Activities**

1. Professionals shall devote to the Group all the professional capacity and personal effort needed to perform their duties.

2. The provision of services as employees or professionals, for their own account or for the account of another, to companies or entities other than the Group, as well as a professional engaging in or participating as an instructor in academic activities when they are related to the activities of the Group or the duties performed by the professionals therein, must be authorised in advance and in writing by the division responsible for the human resources function of the Group company in question.

   The prior approval of the division responsible for the human resources function shall also be required in the following cases:

   a) Active participation on or appointment of the professional to the management boards of professional or industry organisations or associations in representation of the Group.

   b) Any other type of outside activity that could affect the due dedication of the professional to the duties thereof or that might entail a potential conflict of interest.

3. The Group respects the performance of social and public activities by its professionals, provided that they do not interfere with their work at the Group.

4. The connection, membership, or collaboration by professionals with or in political parties or other kinds of public-purpose entities, institutions or associations shall be such that the personal nature thereof is clear, thereby avoiding any connection with the Group.

5. The creation of or membership, participation or collaboration on social media, forums or Internet blogs by professionals and the opinions or statements they make therein shall be made in a manner that clearly shows the personal nature thereof. Professionals must in any event refrain from using the image, name or brands of the Group to open accounts or register themselves on such forums or media.

**Article 24. Separation of Activities**

1. The Group, made up of both companies that carry out Regulated Activities and companies that carry out Liberalised Activities, as defined in the next section, undertakes to observe the industry regulations regarding the separation of both types of activities in force in each country in which it has a presence.
2. Generally, for purposes of the Code of Ethics, those activities relating to distribution and transportation in the electricity industry and those of regasification, basic storage, transportation and distribution in the hydrocarbon industry are deemed to be “Regulated Activities”. Production and supply activities carried out under a free competition system in both the electricity and the gas industries, as well as the provision of energy recharging services, are deemed to be “Liberalised Activities”. For purposes of the Code of Ethics, the companies of the Group carrying on these activities shall be known as “Regulated Companies” and “Liberalised Companies”, respectively.

However, given the differences in the regulation of the energy industries in the various countries in which the Group operates, the specific definition of Regulated Activities and Liberalised Activities and, thus, of Regulated Companies and Liberalised Companies, shall conform to the laws and regulations in force in each country at any time.

3. It is the Group’s responsibility to keep Regulated Activities and Liberalised Activities duly separate within the Group in accordance with the regulations for the separation of activities applicable in each case.

4. Generally and without prejudice to the provisions of the laws and regulations applicable in each country, the rules for the separation of activities are deemed to require that the Group and its professionals:
   a) Ensure independence in the day-to-day management of Regulated Companies and that of those responsible for the management thereof, avoiding the participation by Liberalised Companies in the day-to-day management thereof, without prejudice to the Group’s powers of economic oversight and management over such companies.
      To such end, the Group shall ensure that Regulated Companies have the human, material and financial resources that are adequate and necessary to carry on their day-to-day activities.
   b) Guarantee the independence and protection of the professional interests of the persons responsible for the management of Regulated Companies and of all workers who, under applicable law, deserve special protection by virtue of their duties.
   c) Take appropriate measures to ensure the protection of commercially sensitive information of Regulated Companies that might give a competitive advantage if known by Liberalised Companies.
      In this regard, Regulated Companies may not share commercially sensitive information with Liberalised Companies, except where permitted by applicable laws and regulations or disclosed to third parties, in which case such information shall be shared under non-discriminatory conditions.
   d) Ensure that all activities of Regulated Companies are carried out following objective and non-discriminatory standards, avoiding any preferential treatment of Liberalised Companies or their customers.
   e) Keep the books of Regulated Companies and of Liberalised Companies duly separated, as provided by applicable laws and regulations in each country.
      In addition, the Group shall ensure that economic transactions relating to, among other things, the transfer of resources, assets, rights and/or contracts, if any, made between Regulated Companies and the other companies of the Group, as well as the provision and receipt of services common to them, observe the specific regulations established in each jurisdiction regarding the conditions to which such transactions must be subject.

5. The Group shall, in accordance with the laws and regulations in force in each country in which it carries on Regulated Activities, adopt codes or similar internal rule-making instruments that ensure compliance with the rules for the separation of activities by the Group professionals affected by such laws and regulations. The Group guarantees that the codes or rule-making instruments mentioned in the preceding paragraph shall be communicated to and disseminated among the professionals and officers of the Group in the respective jurisdictions in which they apply.

   In addition, any codes and rule-making instruments that are adopted shall be disseminated externally, in particular, through the websites of the companies of the Group.

Chapter V. Commitments to and Relations with other Stakeholders

Article 25. Commitment to Human and Workers’ Rights

1. The Group hereby expresses its commitment to and solidarity with the human and workers’ rights recognised in national and international law and to the principles upon which are based the UN Global Compact, the United Nations Norms on the Responsibilities of Transnational Companies and Other Business Enterpris-
es in connection with Human Rights, the OECD Guidelines for Multinational Corporations and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organisation, as well as such documents or texts that replace or supplement the ones mentioned above.

2. In particular, the Group affirms its total rejection of child and forced or compulsory labour and undertakes to respect freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples in the places in which it does business.

**Article 26. Shareholders and the Financial Community**

1. The Group expresses its intention to create value for its shareholders on a continuous and sustained basis, and shall make available to them permanent communication and enquiry channels to enable them to receive proper, useful and complete information regarding the development of the Group, within the framework of the Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors and the principle of equal treatment of shareholders under identical conditions.

2. Relations with investors and financial analysts shall be channelled through the Investor Relations Division (or such division that hereafter carries out the duties thereof).

**Article 27. Regulatory Entities**

Relations with the authorities, regulatory entities and government agencies shall be conducted following the principles of cooperation and transparency.

**Article 28. Customers**

1. The Group commits to offering quality services and products equal to or exceeding the requirements and standards established by law, competing in the marketplace and engaging in marketing and sales based on the merits of its products and services, in all cases applying standards of transparency, disclosure and protection.

2. The Group shall guarantee the confidentiality of all data of its customers and undertakes not to disclose such data to third parties without the customer's consent, except when required by law or to comply with court or governmental orders.

   The capture, use and processing of the personal data of customers shall be made in such a manner as to guarantee their right to privacy and comply with personal data protection laws as well as the rights given to customers by the laws on information society and electronic commerce services and other applicable legal provisions.

3. Contracts with customers of the Group shall be drafted in a clear and simple manner. Transparency shall be promoted in pre-contractual and contractual relations with customers, and they shall be advised of the various existing alternatives, particularly as regards services, products and rates.

4. Professionals shall avoid any kind of interference or influence of customers or third parties that may alter their professional impartiality and objectivity and may not receive any kind of remuneration from customers or generally from third parties for services relating to the professional's activities within the Group.

**Article 29. Suppliers**

1. The Group's procedures for the selection of suppliers shall conform to an objective and impartial standard and shall avoid any conflict of interest or favouritism in the selection thereof.

   Group professionals undertake to comply with established internal award procedures, including, in particular, those relating to the approval of suppliers.

2. The prices and other information submitted by suppliers during a process of selection shall be treated confidentially and shall not be disclosed to third parties without the consent of the interested parties or where required by law or to comply with court or governmental orders.

   Group professionals who have access to personal data suppliers shall maintain the confidentiality of such data and comply with the provisions of the laws on the protection of personal data to the extent applicable. The information made available by Group professionals to suppliers shall be true and shall not be given with the intent to mislead.

3. Professionals shall avoid any kind of interference or influence of suppliers or third parties that may alter their professional impartiality and objectivity and may not receive any kind of remuneration from the Group's suppliers or generally from third parties for services relating to the professional's activities within the Group.
Article 30. Competitors
1. The Group undertakes to compete fairly in the marketplace and not to engage in advertising that is deceptive or that denigrates its competition or third parties.
2. The acquisition of information from third parties, including information regarding competitors, shall be made in a lawful manner.
3. The Group undertakes to promote free competition for the benefit of consumers and users. The Group shall comply with competition rules and regulations, avoiding any conduct which constitutes or might constitute collusion, abuse or restraint of competition.

Article 31. The Media and Transparency in the Provision of Information
1. Relations with the media shall be channelled through the External Communications Division (or such division that hereafter carries out the duties thereof).
2. The Group shall provide true, proper, useful and consistent information regarding its programmes and actions. The transparency of the information required to be disclosed is a basic principle that must govern the actions of Group professionals.
3. The economic/financial information of the Group (especially the annual accounts) shall faithfully reflect its economic and financial position and its net worth, in accordance with generally accepted accounting principles and applicable international financial reporting standards. For such purposes, no professional shall conceal or distort the information set forth in the accounting records and reports of the Group, which shall be complete, accurate and truthful.
4. A lack of honesty in the communication of information, whether internally within the Group (to employees, subsidiaries, departments, internal bodies, management decision-making bodies, etc.) or outside the Group (to auditors, shareholders and investors, regulatory entities, the media, etc.) is a breach of the Code of Ethics. This includes delivering incorrect information, organising it in an incorrect manner or seeking to confuse those who receive it.

Article 32. Society
1. The Group expresses its firm commitment to the principles of the General Corporate Social Responsibility Policy as a framework for its programmes and actions with the professionals, customers, suppliers, shareholders and all other stakeholders with whom it has relations. In this regard, the Group, faithful to the corporate goal of creating wealth and welfare for society, adopts a responsible corporate ethic that makes it possible to harmonise the creation of value for its shareholders with sustainable development, the main objectives of which are the protection of the environment, social cohesion, the development of a favourable framework for employment relations, and ongoing communication with the various groups related to the Company in order to meet their needs and expectations.
2. The Group expresses its firm commitment to the principles of the Anti-Corruption and Anti-Fraud Policy and the Crime Prevention Policy, and in particular to not adopting practices that might be considered improper in its relations with customers, suppliers, competitors, authorities, etc., including those relating to money laundering. To such end, professionals shall receive appropriate training on applicable law in the countries in which the Group operates.

Article 33. Actions having a Social-Welfare Component and Donations
1. The Group contributes to the development of communities with its business activity and with its social responsibility strategy, with measures intended to, amongst other things, promote education, environmental protection, culture and sports and protect vulnerable groups, and works to establish firm and permanent connections therewith.
2. The companies of the Group, either directly or through intermediaries, shall refrain from making contributions that are not in accord with the social responsibility strategy thereof.
3. All social-welfare, cultural or any other kind of contributions made by the companies of the Group, regardless of the legal form thereof, whether a collaboration agreement, donation or any other legal form or transaction, and regardless of the area to which they are directed (promotion of education, culture, sports, protection of vulnerable groups, etc.), must meet the following requirements: have a legitimate purpose, not be anonymous, be formalised in writing, and, if contributions of money, be made by any payment method
that allows for identification of the recipient of the funds and provides evidence of the contribution. Cash contributions are prohibited.

4. Prior to making a contribution from among those referred to in the preceding section, the proposing corporate or business area must have carried out due diligence allowing for verification of the lawfulness thereof, following the form approved by the Compliance Unit or competent compliance division. The Compliance Unit or competent compliance division may establish different forms based on the amount of the contribution or the nature thereof. The due diligence requirements provided for in this article shall not apply to contributions to entities in the nature of foundations linked to the Group in order to carry out the corporate social responsibility activities with which they are tasked by their respective boards of trustees.

5. The proposing unit must report the results of such due diligence to the competent Compliance Unit or compliance division.

6. In any event, the company of the Group making the social, cultural or similar contribution must document in the formalisation thereof that it is subject to the beneficiary continuing to meet the requirements and conditions upon which it was approved and to following the purposes for which it was provided. Along these lines, within the framework of the provisions of applicable legal provisions, and without prejudice to any other legal actions to which it may be entitled, the contributing company shall reserve the right to revoke the contribution if, after the provision thereof, it is verified that the information from the due diligence investigations was false or inaccurate or the beneficiary has ceased to meet the conditions upon which it was provided or has used it otherwise than as agreed.

7. The companies of the Group, either directly or through intermediaries, are strictly prohibited from directly or indirectly making donations to Spanish political parties, including federations, coalitions and groups of electors, even in the form of loans or advances.

Article 34. Protection of the Environment

1. The Group’s activities are based on respect for the environment, and the Group complies with or exceeds the standards established in such environmental laws and regulations as may apply and minimises the impact of its activities on the environment.

2. The guidelines for the conduct of the Group’s companies are to minimise waste and pollution, conserve natural resources, promote energy savings and carry out and sponsor research and development projects that foster environmental protection.

3. The Group cooperates with regulatory authorities to develop and promote fair laws and regulations that protect the environment.

Chapter VI. Ethics Mailbox

Article 35. Implementation of the Ethics Mailbox

1. The Company shall implement an ethics mailbox in order to promote compliance with legal provisions and with the rules of conduct established in the Code of Ethics (the “Ethics Mailbox”). The implementation of the Ethics Mailbox is understood to be without prejudice to other mechanisms or channels that are established in accordance with the Corporate Governance System or that the Audit and Risk Supervision Committee may deem appropriate to create in order to allow for the communication of potentially significant financial and accounting improprieties observed within the Group.

2. The Ethics Mailbox is a channel created for the Group’s professionals to report conduct that may involve the commission of an improper act or an act in violation of legal provisions or of the rules of conduct laid down in the Code of Ethics or to ask questions that may arise regarding the interpretation thereof pursuant to the provisions of article 4 above.

3. Communications addressed to the Ethics Mailbox may be sent by completing an electronic form that shall be available in the “Ethics Mailbox” section of the Employee’s Portal.

4. The country subholding and head of business companies of the Group with compliance divisions may create their own ethics mailboxes. Such divisions shall report to the Compliance Unit all grievances that they receive through such ethics mailboxes and the investigative files processed, and shall provide all information and documentation requested thereby.
Article 36. Principles Governing Grievances Reported Using the Ethics Mailboxes

1. Group professionals who have reasonable indications of the commission of any improper act or of any act in violation of legal provisions or of the rules of conduct laid down in the Code of Ethics that are specifically applicable to the Group’s professionals must report it through the ethics mailboxes or any of the other mechanisms established by the Company for this purpose. In any event, such communications shall always adhere to standards of truthfulness and proportionality, such that this mechanism may not be used for purposes other than seeking compliance with the Code of Ethics or applicable law.

2. The identity of the person reporting an improper action through the ethics mailbox shall be deemed to be confidential information and, therefore, it shall in no event be communicated to the reported party without the consent of the reporting party, thus ensuring non-disclosure of the identity of the reporting party and avoiding any kind of response towards the reporting party from the reported party as a consequence of the report.

3. The Group undertakes not to engage in any direct or indirect retaliation against the professionals that have reported an action among those mentioned in section 1 above through the ethics mailbox, unless they have acted in bad faith.

4. Without prejudice to the foregoing, the data of the persons making the communication may be provided to governmental or court authorities, to the extent required by such authorities as a consequence of any proceeding stemming from the subject matter of the report, as well as to persons involved in any kind of subsequent investigation or court proceeding initiated as a consequence of the investigation. Such provision of data to government or court authorities shall in all cases be provided in full compliance with personal data protection legislation.

5. In those jurisdictions in which applicable law so allows, grievances made through the ethics mailbox may be made anonymously.

Article 37. Processing of Grievances Reported Through the Ethics Mailboxes

1. The Compliance Unit shall process grievances reported through the Ethics Mailbox. If the grievance affects a member of the Compliance Unit, such member may not participate in the processing thereof.

2. If the matter affects a professional assigned to a country subholding or head of business company of the Group that has its own compliance division, the Compliance Unit shall send the communication to such division in order for it to proceed with evaluation and processing in accordance with its own rules. Notwithstanding the foregoing, if the matter affects professionals assigned to more than one country subholding or head of business company of the Group that has a compliance division, the processing of the file shall be coordinated by the Compliance Unit.

3. The processing of grievances made through any of the ethics mailboxes of the country subholding or head of business companies that have their own compliance division shall be handled by the latter.

4. In all investigations, the rights to privacy, due process and the presumption of innocence of the persons investigated shall be guaranteed.

Article 38. Protection of Personal Data

1. All data provided through the ethics mailboxes shall be included in a personal data file owned by the Company or the corresponding country subholding or head of business company in order to process the communication received through said ethics mailbox and to take such investigatory steps as may be required to establish the commission of the violation.

The Group undertakes to treat all personal data received through the ethics mailboxes in the strictest of confidence at all times and in accordance with the purposes contemplated in this chapter VI, and it shall adopt such technical and organisational measures as may be needed to ensure the security of the data and avoid the alteration, loss or unauthorised processing thereof or access thereto, taking into account the current state of the art, the nature of the data stored and the risks to which they are exposed, all in compliance with the laws on the protection of personal data.

In any event, each data collection form shall include the notices required by applicable law in order to clearly inform the interested parties of the purposes and uses that the processing of their personal data will serve.

2. As a general rule, the reported party shall be informed of the existence of a report upon commencement of the investigation proceeding. However, in those cases in which there is a significant risk that such notification...
tion may jeopardise the ability to effectively investigate the allegation or to gather the required evidence, such notification to the reported party may be delayed for as long as the risk exists.

**Chapter VII. Miscellaneous**

**Article 39. Dissemination, Training and Communication**

1. The Compliance Unit shall be responsible for promoting the dissemination of the content of the Code of Ethics among both the professionals of the Company and with respect to the other stakeholders.

2. In order to promote the dissemination thereof among the professionals of the Company, the Compliance Unit shall prepare and approve training and internal communication plans and activities.
   a) Training plans and activities shall be given to the Human Resources Division for implementation thereof pursuant to the provisions of the general training activities plan.
   b) Internal communication plans and activities shall be given to the Internal Communications Division for implementation thereof pursuant to the provisions of the Group’s global communication plan and after ensuring that the content and form thereof comply with the standards defined for internal communications.

3. Proposals for external dissemination of the Code of Ethics among the other stakeholders shall be given by the Compliance Unit to the External Communication Division for assessment thereof and possible inclusion in the Group’s global communication plan in accordance with the general priorities and objectives established in each case.

4. The compliance divisions of the other companies of the Group, in view of the guidelines of the Compliance Unit, shall in turn promote the dissemination of the content of the Code of Ethics within their respective purviews through the divisions assuming the duties of human resources and communication.

5. The Corporate Social Responsibility Committee shall supervise the coordination and implementation of the training and communication actions to be carried out at the request of the Company’s Compliance Unit and of the compliance divisions of the other companies of the Group.

**Article 40. Disciplinary Rules**

1. The Group shall develop the measures needed for the effective application of the Code of Ethics.

2. Nobody, regardless of rank or position, is authorised to request that a professional commit an unlawful act or breach of the provisions of the Corporate Governance System, especially the Code of Ethics. In turn, no professional may justify improper or unlawful conduct or conduct that contravenes the provisions of the Corporate Governance System in reliance on an order from a superior.

3. If the Compliance Unit or the competent compliance division determines that a Group professional has engaged in activities that violate the provisions of law or the Code of Ethics, it shall entrust to Human Resources Division or to the division responsible for the human resources function of the relevant Group company the application of disciplinary measures in accordance with the offences and penalties system set forth in the collective bargaining agreement of the company in which such professional is employed or in applicable employment legislation.

4. The compliance divisions that exist at the country subholding companies or head of business companies of the Group shall proceed in the same manner with respect to conduct that they are competent to review as provided above.

**Article 41. Acceptance**

1. The professionals of the Group expressly accept the rules of conduct established in the Code of Ethics.

2. Professionals who join or become part of the Group in the future shall expressly accept the principles and rules of conduct set forth in the Code of Ethics.

3. The Code of Ethics shall be attached to the employment agreements of all Group professionals.

**Article 42. Approval and Amendment**

1. The Code of Ethics shall be revised and updated periodically, in accordance with the annual report of the Compliance Unit, as well as with the suggestions and proposals of Group professionals. The Corporate Social Responsibility Committee, the Management of the Internal Audit Area and the Compliance Unit shall be able to make proposals to improve or to foster the adaptation of the Code of Ethics as a whole.

2. The amendment of this Code of Ethics shall in any case fall within the purview of the Board of Directors.

3. The Code of Ethics was approved at a meeting of the Board of Directors of the Company held on 27 February 2002 and was last amended on 19 December 2017.
II. Regulations of the Compliance Unit

19 December 2017

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TITLE I. NATURE AND OBJECT

Article 1. Nature and Object
1. The Compliance Unit (the “Unit”) of IBERDROLA, S.A. (the “Company”) is a collective permanent and internal body linked to the Corporate Social Responsibility Committee of the Board of Directors of the Company.
2. The Unit is the body of the Company responsible for proactively ensuring the effective operation of the Company’s compliance system (the “Compliance System”), configured in accordance with the provisions of the Corporate Governance System, for which purpose it is vested with the broadest powers, budgetary autonomy and independence of action.
3. The Compliance System is made up of all of the rules, formal procedures and significant actions intended to ensure the Company’s conduct in accordance with ethical principles and applicable law and to prevent improper conduct or conduct that is contrary to ethics, the law or the Corporate Governance System that might be committed by the professionals thereof within the organisation.
4. The Unit shall be governed by the provisions of these Regulations of the Compliance Unit (the “Regulations”) and the other rules forming part of the Company’s Corporate Governance System.
5. The creation of the Unit should be understood to be without prejudice to the existence at each country subholding or head of business company of the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), of its own compliance division specifically responsible for its own crime prevention programme.

TITLE II. COMPOSITION

Article 2. Composition and Positions
1. The Unit shall have the following positions, appointed for an indefinite term by resolution of the Board of Directors after a report from the Company’s Appointments Committee:
   — the chair of the Unit;
   — the secretary of the Unit;
   — the director of the Unit, which position shall be held by the Company’s director of Compliance (the “Director of Compliance”); and
   — the members of the Unit, who shall be proposed by the global business units and the corporate functions.

Pursuant to the provisions of the Corporate Governance System, particularly with respect to decentralisation of the effective management of the businesses of the Group and the corresponding individualisation and separation of responsibilities arising therefrom for each of the companies included therein, those persons who head the compliance divisions of the country subholding or head of business companies of the Group may not form part of the Unit. The members of the Board of Directors may also not form part of the Unit.
2. The chair of the Unit and the persons holding other positions must have such expertise, qualifications and experience as are required by the duties they are called upon to perform.
3. The secretary of the Unit shall have the right to be heard but not to vote, and the duties thereof shall specifically include preparing the minutes of meetings of the Unit, certifying the resolutions and decisions thereof, ensuring the formal and substantive legality of its activities and conformance thereof to the Corporate Governance System, generally channelling the relations of the Unit with its members in all matters relating to the operation thereof, in compliance with the instructions of its chair, and, under the supervision thereof, providing the support necessary for the proper operation of the Unit and the conduct of its meetings.

Article 3. Director of Compliance
1. The Director of Compliance shall have the powers necessary to carry out the duties thereof.
2. The Director of Compliance shall manage the operation of the Unit and its budget and shall be responsible for carrying out the corresponding measures and action plans and ensuring that the Unit proactively complies with its duties.
3. Under the supervision of the Unit, the Director of Compliance shall also have powers relating to the regular management and administration of the duties of the Unit, on behalf thereof, making regular reports thereto on activities performed, for which purpose the Director of Compliance shall have the same powers granted to the Unit in these Regulations and in the Corporate Governance System.
Article 4. The Office of the Compliance Unit

1. The Unit shall be supported by a multidisciplinary office made up of the Director of Compliance, who shall lead it, and by representatives of those areas or functions of the Company who have responsibilities in areas related to the Compliance System (the “Office”).

2. The following areas of the Company shall be represented in the Office:
   a) Protection of Personal Data.
   b) Occupational Safety and Health.
   c) Tax.
   d) Corporate Social Responsibility.
   e) Corporate Security.
   f) Corporate Governance.

3. The Unit shall propose to the Board of Directors a change in the areas represented within the Office listed in section 2 above in order for all of the areas or functions of the Company with a higher compliance risk are represented within the Office.

4. Through the Office, the Director of Compliance:
   a) Shall endeavour to ensure that each of the areas represented is aware and conscious of the areas of higher risk for which they are responsible and that there are no risk areas not included in the Office.
   b) Shall identify those areas of compliance risk for which management and control might be assigned to more than one area or function of the Company, making recommendations and proposals to avoid unjustified duplication.
   c) Shall promote the exchange of best compliance practices within the Company, and particularly among the areas represented within the Office.
   d) Shall be informed of the main actions taken by the areas represented in the Office within their respective areas of action: analysis of risks, internal rules and procedures adopted to manage such risks, communication and training activities, detection activities and remediation measures that have been implemented.
   e) Shall encourage an analysis of legislative developments and regulatory trends that might be relevant to ensuring the effectiveness of the Compliance System, especially if such developments affect more than one area.
   f) Shall receive periodic information regarding possible incidents that occur within the area of responsibility of each of the areas represented.
   g) Shall receive information from the various areas required for the Unit to include it in the annual report on the effectiveness of the Compliance System that it prepares in compliance with the provisions of article 10.2.b) of these Regulations.
   h) Shall obtain advice on those other aspects that the Unit might request.

5. Each of the areas making up the Office must appoint a representative with sufficient experience and knowledge regarding the compliance duties and activities carried out by their respective area. The personal data protection area shall be represented by the Global Data Protection Officer. Representatives may timely give their proxy to another person in their same area to attend a meeting of the Office.

6. The Office shall have its own regulations, which shall be approved by the Unit.

7. The compliance divisions of the Group’s country subholding companies, and in any case the head of business companies, when so deemed appropriate by their management bodies, shall have their own compliance offices with functions supporting their respective compliance director, based on the activities they perform and the particularities of the local laws applicable thereto.

TITLE III. POWERS

Article 5. Powers regarding the Code of Ethics

1. In this regard, the Unit shall have the following main powers:
   a) Promote the dissemination and knowledge of and compliance with the Code of Ethics, encouraging the training and communication actions it deems appropriate, in accordance with the principles of cooper-
ation and coordination with the various corporate divisions of the Company and with the compliance divisions of the country subholding companies and head of business companies, ensuring that the dissemination and communication thereof at the Group level follows general uniform standards and also takes into account the particular features applicable within each jurisdiction and within the various businesses.

b) Promote and coordinate the application of the Code of Ethics by the various companies of the Group.

c) Provide a binding interpretation of the Code of Ethics and resolve any questions or concerns raised with respect to the content and application thereof and compliance therewith, particularly with respect to the application of disciplinary measures by the competent bodies.

d) Promote the approval of rules needed to further develop the Code of Ethics and to prevent violations thereof, in collaboration with the various corporate divisions of the Company and on a coordinated basis with the compliance divisions of the country subholding companies and head of business companies.

e) Approve behavioural procedures and protocols in order to ensure compliance with the Code of Ethics. These rules must in all cases be in accord with the provisions of the Corporate Governance System.

f) Receive communications sent through the ethics mailboxes of the professionals, the suppliers and the shareholders referred to in article 24 below and process the corresponding investigative files, promoting the procedures for verification and investigation of grievances received and issuing appropriate opinions regarding the investigative files processed.

g) Such other powers as are assigned thereto by the Code of Ethics.

2. Pursuant to the provisions of the Code of Ethics, the Unit shall establish the framework of relations for coordination, cooperation and information with the compliance divisions that may exist at the country subholding companies and head of business companies of the Group for purposes of appropriate compliance with such duties.

Article 6. Powers regarding the Prevention of Crime, Corruption and Fraud

1. In this regard, the Unit shall have the following main powers:

a) Ensure the operation, effectiveness and observance of the Crime Prevention Policy and control the implementation, development and fulfilment of the Crime Prevention Programme of the Company and of those companies of the Group that are not head of business companies or companies in which an interest is held through such head of business companies, and supervise and coordinate the implementation and development of and compliance with similar programmes at other companies of the Group, in both cases without prejudice to the responsibilities assigned to other bodies.

b) Disseminate the content of the Anti-Corruption and Anti-Fraud Policy and foster a preventive culture based on the principle of “zero tolerance” in respect of the commission of wrongful acts and in matters of fraud, corruption and bribery, and on the application of principles of ethical and responsible behaviour by all professionals of the Group, irrespective of their level and the country where they work.

c) Promote the preparation and implementation of appropriate training programmes, both in person and online or by any other appropriate method, for professionals of the Group regarding the duties imposed by the Code of Ethics, the Crime Prevention Policy, and applicable law, with a frequency sufficient to ensure that knowledge in this regard is kept up to date. In particular, the professionals of the Group shall receive training regarding the Code of Ethics and the Crime Prevention Policy and, if applicable, the rules in development and implementation thereof, with emphasis on matters of corruption and liability, as well as regarding those legal and regulatory obligations that are specifically applicable to their duties.

d) At least once per year, evaluate the observance and effectiveness of the crime prevention programmes of the companies of the Group and assess whether a modification thereof is appropriate.

2. For these purposes, the Unit shall be responsible for drafting, approving, continuously updating and ensuring the application of the protocols considered necessary or appropriate for crime prevention and anti-fraud measures, particularly the following:

3. While respecting the scope of action proper to the country subholding companies and head of business companies of the Group, the Unit shall establish the framework for relations of coordination, cooperation and information with the respective compliance divisions of such companies in order to promote the highest ethical standards in the crime prevention and anti-fraud areas, especially with respect to, but not limited
to, investigation procedures, supervision and control activities, coordination of analysis of crime and fraud risks and promotion of training plans. Such framework for relations shall be determined in accordance with the provisions of the Corporate Governance System, particularly with respect to the decentralisation of effective management of the businesses of the Group and the corresponding individualisation and separation of responsibilities arising therefrom for each of the companies included therein.

**Article 7. Powers regarding the Securities Markets**
The Unit is entrusted with the duty of ensuring compliance with the *Internal Regulations for Conduct in the Securities Markets*, performing the duties assigned thereto by such regulations. It shall also have such other powers and duties assigned thereto by the *Action Protocol for the Management of News and Rumours* and the *Internal Rules for the Processing of Inside Information*.

**Article 8. Powers regarding Separation of Activities**
The Director of Compliance shall compile information from the compliance divisions of the country subholding companies relating to their duty to ensure compliance with the legal provisions regarding the separation of regulated activities applicable in each jurisdiction.

**Article 9. Other Powers**
The Unit shall also be directly vested with such other powers, whether of a particular or permanent nature, that are assigned thereto by the Corporate Social Responsibility Committee or the Board of Directors of the Company, or that are vested therein by the Corporate Governance System.

**Article 10. Coordination of other Areas with respect to Compliance**
1. At all times, the Unit shall identify the various areas or functions with compliance risk other than those within their direct purview, described in articles 5 to 9 above, and shall the propose the participation thereof in the Office in accordance with the provisions of article 4.3. The Director of Compliance shall ensure proper coordination on compliance matters of all said areas and functions at any time represented within the Office.
2. The Compliance Unit shall also:
   a) Approve the *General Compliance System Framework of the Iberdrola group*, which shall contain the basic principles of structure and operation of the Group’s Compliance System as well as the duties and responsibilities of the various bodies involved.
   b) Annually evaluate the effectiveness of the Compliance System the Company and of the other companies of the Group, with the collaboration of the various compliance divisions, and prepare a report with the results of said evaluation. The report shall be submitted to the Corporate Social Responsibility Committee for it to issue its opinion and forward it to the Board of Directors.
   c) Submit proposals to the Board of Directors, after a report from the Corporate Social Responsibility Committee, regarding the inclusion or exclusion of areas or functions that should be represented within the Office and the resulting amendment of article 4.2 above.
   d) Report to the Corporate Social Responsibility Committee regarding significant matters relating to the effectiveness of the Compliance System.
   e) Ensure the proper coordination of the compliance systems implemented by each of the compliance divisions of the Group, promoting the exchange of best practices and the approval of rules encouraging all companies of the Group to have homogeneous, solid, comprehensive and effective compliance systems that conform to the particularities of each jurisdiction and of the various businesses.

**TITLE IV. MEETINGS**

**Article 11. Meetings**
1. The Unit shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto.
2. The Unit shall also meet when the chair is so requested by the Director of Compliance.
3. The chairman of the Board of Directors, the chief executive officer, the chair of the Audit and Risk Supervision Committee and the chair of the Corporate Social Responsibility Committee may request information meetings with the Unit on an exceptional basis.
Article 12. Call to Meeting
1. The secretary of the Unit shall, by order of the chair thereof, call the Committee to meeting at least five days in advance thereof, except in the case of urgent meetings.
2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting.
3. No prior call to a meeting of the Unit shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

Article 13. Place of the Meeting
1. Meetings of the Unit shall be held at such place as is designated in the call to meeting or, in the absence thereof, at the registered office of the Company.
2. Meetings of the Unit may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among the attendees regardless of their location, and participation in discussion and the casting of votes, all in real time (including videoconference or remote attendance systems or any other similar system). The members of the Unit in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Unit for all purposes. The meeting shall be deemed to be held in the place where the largest number of Unit members is located and, if in equal numbers, where the chair of the Unit or whoever chairs the meeting in the absence thereof is located.

Article 14. Establishment of a Quorum
1. A valid quorum for Unit meetings shall be established with the attendance, in person or by proxy, of more than half of its members.
2. The chair of the Unit shall preside over meetings of the Unit. In event of vacancy, illness, incapacity, or absence of the Unit’s chair, meetings shall be chaired by the Director of Compliance or, in the absence thereof, by the member having the longest length of service in the Unit, and if equal lengths of service, by the oldest.
3. The secretary of the Unit shall act as secretary for the meeting. In the event of the vacancy, illness, incapacity, or absence of the secretary of the Unit, the person appointed by the chair of the meeting for such purpose shall act as secretary.
4. Unit members may give a proxy to another member by notice delivered by any of the means allowing for the receipt thereof, addressed to the chair or to the secretary of the Unit and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in any conflict of interest situation.

Article 15. Resolutions
1. Resolutions of the Unit shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Unit shall have the tie-breaking vote.
2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Unit or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter and shall be entered in a book of minutes of the Unit that shall be in the custody of the secretary thereof.
3. Voting by the Unit may occur in writing without a meeting provided that no member objects thereto. In this case, the members of the Unit may deliver to the secretary thereof, who shall act on behalf of the chair, their votes and the considerations they wish to appear in the minutes. Resolutions adopted using this procedure shall be recorded in the minutes.

Article 16. Conflicts of Interest
1. The members of the Unit involved in a potential conflict of interest must give notice thereof to the Unit itself, which shall also have the power to resolve questions or conflicts that might arise in this regard.
2. When matters to be dealt with at meetings of the Unit affect one of its members or persons in any way related thereto, including due to a reporting relationship within the Group, and, in general, when such member is subject to a conflict of interest situation, such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Unit members for purposes of calculating the quorum and majorities with respect to the matter at hand.
Article 17. Attendance
1. The chair of the Unit or the Director of Compliance may request the attendance at meetings thereof of any director or professional of the Group, as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company or seek their opinion at any time.
2. These requests shall be channelled through the Office of the Secretary of the Board of Directors of the Company.

TITLE V. RESOURCES, BUDGET AND ANNUAL ACTIVITIES PLAN

Article 18. Material and Human Resources
The Unit shall have access to the material and human resources necessary to perform its duties.

Article 19. Budget
1. Prior to the commencement of each financial year, the Unit, at the proposal of the Director of Compliance, shall submit to the Corporate Social Responsibility Committee a draft budget for carrying out its activities during the upcoming financial year.
2. Once validated by the Corporate Social Responsibility Committee, the draft budget shall be sent to the chair of the Board of Directors, who shall present it to the Board of Directors for final approval.

Article 20. Annual Activities Plan
Prior to the commencement of each financial year, the Unit, at the proposal of the Director of Compliance, shall approve and submit to the Corporate Social Responsibility Committee an annual activities plan for the upcoming financial year.

TITLE VI. POWERS OF THE UNIT AND DUTIES OF ITS MEMBERS

Article 21. Powers and Advice
1. The Unit, through the Director of Compliance or the compliance divisions of the other companies of the Group, and provided that applicable law so allows, shall have access to the information, documents and offices of the companies, directors and professionals of the Group, including the minutes of the meetings of the management, supervisory and control bodies, necessary for the proper performance of its duties. In this regard, all professionals and directors of such companies must provide the cooperation requested by the Unit for the proper performance of its duties. These requests shall be channelled through the Office of the Secretary of the Board of Directors of the Company.
2. The Unit may also seek, at the Company’s expense and through the Office of the Secretary of the Board of Directors, cooperation or advice from outside professionals, who shall submit their reports directly to the chair of the Unit.
3. To the extent possible and provided it does not affect the effectiveness of its work, the Unit seeks to act transparently, informing the affected directors and professionals of the purpose and scope of its actions whenever practicable and appropriate.

Article 22. Duties of Unit Members
1. Unit members must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence.
2. Unit members shall keep confidential the deliberations and resolutions of this body and, in general, shall not disclose any information, data, reports or background information to which they may have access while in office, nor use any of the foregoing for their own benefit or that of third parties, without prejudice to the duties of transparency and information imposed by the Company’s Corporate Governance System and by applicable law. The duty of confidentiality of the members of the Unit shall survive even after the members no longer hold such position.

TITLE VII. INVESTIGATION OF VIOLATIONS

Article 23. Commencement of Investigations of Violations
1. The Unit shall have the power to investigate potential violations of the Corporate Governance System, particularly including the rules of conduct of the Code of Ethics or the Suppliers’ Code of Ethics, as well as conduct that might involve the commission of an improper or illegal act, that are important to the profes-
sional duties of the breaching party within the Company, the contractual relationship with suppliers, or the interests and image of the Company.

2. The Unit may commence an investigation if it is aware of facts or circumstances that might constitute a violation or improper action from among those described in the preceding section, whether sua sponte, by resolution of the Unit or decision of its Director, or through a formal grievance made through the Ethics Mailboxes defined in the following article or by any other means.

3. The principles, rules of conduct and guarantees established in this title shall apply to all files regarding violations that are processed by the Unit, regardless of their manner of commencement.

4. If the violations mentioned in section 1 above affect a country subholding or head of business company, or one of the professionals or suppliers thereof, the appropriate body to investigate them shall be the Compliance Division of the affected company.

Article 24. Management of Ethics Mailboxes

1. The Unit shall be responsible for the management of the ethics mailbox for professionals of the Company provided for in the Code of Ethics, the suppliers’ ethics mailbox provided for in the Suppliers’ Code of Ethics included in the Procurement Policy, and the ethics mailbox for shareholders provided for in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors (collectively, the “Ethics Mailboxes”).

2. In performing such duty, the Unit must respect the rules and informing principles established for such purposes in the Code of Ethics, in the Suppliers’ Code of Ethics included in the Procurement Policy and in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors.

Article 25. Acceptance of Grievances for Processing

1. Once it receives a grievance, the Unit shall decide whether or not to process it.

2. If the matter affects a country subholding or head of business company of the Group that has its own compliance division or a professional assigned thereto, the Unit shall send the grievance to such division in order for it to proceed with evaluation and processing in accordance with its own rules. Notwithstanding the foregoing, if the matter affects more than one country subholding or head of business company that has a compliance division, or professionals assigned thereto, the processing of the file shall be coordinated by the Unit.

3. The Unit shall inform the Audit and Risk Supervision Committee of any potentially significant purely financial or accounting irregularities that are communicated to it through the Ethics Mailboxes and shall provide it with any documentation that it may request.

4. The Unit shall not process any grievance in which the requirements in connection with the protection of personal data are not complied with, or in which it is obvious that the grievance is groundless or lacks credibility or does not constitute a breach of the Corporate Governance System or conduct that may involve the commission of an improper or any illegal act that is important to the professional duties of the breaching party within the Company or the Group, the contractual relationship with suppliers or the interests and image of the Group.

5. In order to decide whether a grievance should be accepted for processing, the Unit may request the person submitting the grievance to clarify or supplement it, providing such documents and/or data as may be required to prove the existence of improper conduct.

Article 26. Processing of the Investigative File

1. Once a grievance has been accepted for processing, the Unit shall appoint an investigating officer to carry out the investigation and process the file, and may also entrust this work to an external investigator pursuant to the provisions of article 25.2 above. If the report is directed towards a member of the Unit, such member may not participate in the processing thereof.

2. If the report affects a member of the Board of Directors, the chair of the Unit shall inform the secretary of the Board of Directors to this end in order for the secretary to assist the chair in the processing of the investigative file, and specifically to select the investigating officer, who shall be a person from outside the Group to guarantee independence.

3. The investigating officer shall verify the truth and accuracy of the information contained in the grievance and, in particular, the reported conduct, with respect to the rights of the affected parties. For such purposes,
it shall establish a hearing procedure for all affected parties and witnesses to be heard and shall conduct such other proceedings as it deems necessary. All professionals of the Group are required to cooperate faithfully in the investigation. The participation of witnesses and affected parties shall be strictly confidential.

4. The investigation shall follow the provisions of the Investigations Manual approved by the Unit, and all affected parties shall be informed regarding the processing of their personal data, and any other duty imposed by law on the protection of personal data shall also be complied with.

5. In all investigations, the rights to privacy, due process and the presumption of innocence of the persons investigated shall be guaranteed, and all measures shall be taken that are required to avoid any kind of retaliation against the complaining party. The Group undertakes not to engage in any direct or indirect retaliation against professionals that have complained about improper conduct that can be investigated by the Unit, unless they have acted in bad faith.

6. At any time during the proceeding, the Unit and the investigating officers may seek the advice and cooperation of the Finance and Resources Division and of the Legal Affairs Division for purposes of determining the consequences and manner to proceed with respect to any grievance.

Article 27. Resolution of the Investigative File

1. Upon conclusion of the investigation, the investigating officer shall forward the investigative file together with a proposed resolution to the Unit for resolution as it deems appropriate.

2. In the event that the resolution concludes that a professional has committed an improper act or act in violation of legal provisions or of the rules of conduct laid down in the Code of Ethics specifically directed towards professionals of the Group, the Unit shall notify the Finance and Resources Division or the division responsible for the human resources function of the relevant Group company for the application of the appropriate disciplinary measures, the adoption and content of which shall be reported to the Unit. If it is an improper act or act in violation of legal provisions or the rules of the Corporate Governance System that affect a member of the Board of Directors, the Unit shall submit the resolution to the Appointments Committee through the secretary of the Board of Directors for application of any of the measures provided for in the Corporate Governance System, the adoption and content of which shall be reported to the Unit.

3. If the resolution rendered concludes that a supplier has committed an irregular act or an act in violation of legal provisions or of the rules of conduct laid down in the Suppliers’ Code of Ethics, the Unit shall notify the Procurement Division or whoever participates in procurement within the relevant company of the Group in order to exercise the appropriate contractual rights, of which the Unit shall be informed.

4. If it is verified that a breach of the Corporate Governance System has occurred that is not covered by the section 2 above, the Unit shall adopt the measures that it deems appropriate.

5. If the result of the investigative file reveals the possible adoption of legal actions, the Unit shall give notice of the actions to the Legal Affairs Division for purposes of commencing the relevant governmental or court actions in each case, of which the Unit must be informed.

6. If the improper conduct or violation might have a material impact on the financial statements or internal control of the Company, the Unit shall give notice of this fact to the Internal Audit Area.

Article 28. Protection of Personal Data

1. In certain instances, the sending of personal information through the Ethics Mailboxes may, depending on the subject matter of the report, require the acquisition of express and unambiguous consent for the processing of the personal data of the person submitting the grievance, as well as the party reported. For such purpose, the required mechanisms shall be furnished to obtain any necessary consent prior to the commencement of actions, upon the terms required by the law on personal data protection.

2. As a general rule, the reported party shall be informed of the existence of a report when the investigating officer for the proceeding commences the investigation proceeding. However, in those cases in which there is a significant risk that such notification may jeopardise the ability to effectively investigate the allegation or to gather the required evidence, such notification to the reported party may be delayed for as long as the risk exists.

3. Persons submitting a grievance through the Ethics Mailboxes must warrant that the personal data provided are true, correct, complete and current.
4. Data processed within the framework of investigations shall be deleted as soon as any such investigation has finished, unless the measures adopted give rise to governmental or court proceedings. Without prejudice to the foregoing, the Company shall keep such data duly blocked during those periods in which any liability may arise from the reports filed by Group professionals or from the steps taken by the Company.

5. Users of the Ethics Mailboxes may at any time, in accordance with the law applicable in each case, exercise the rights of access, rectification, erasure and objection with respect to their personal data by means of written communication addressed to the registered office of the Company, complying with requirements established by the law applicable at any time and specifying the right they wish to exercise.

**TITLE VIII. AMENDMENT, COMPLIANCE AND INTERPRETATION**

**Article 29. Amendment**

The amendment of these Regulations must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chair of the Unit, of one-third of the directors, or of the Unit itself, after a report from the Corporate Social Responsibility Committee unless the amendment is at the initiative of the Board of Directors itself.

**Article 30. Compliance**

1. The members of the Unit have the obligation to know and comply with these Regulations, for which purpose the secretary of the Unit shall provide them with a copy.

2. In addition, the Unit shall have the obligation to ensure compliance with these Regulations.

**Article 31. Interpretation**

1. These Regulations shall be interpreted in accordance with the Company’s Corporate Governance System.

2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by majority vote within the Unit itself, and in the absence of such resolution, by the chair of the Unit, who shall be assisted by the secretary or by such persons, if any, as may be appointed by the Unit for such purpose. The Corporate Social Responsibility Committee shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.

3. In the absence of a specific rule, the provisions of the Regulations of the Board of Directors regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting and approval of the minutes of meetings, shall apply to the Unit to the extent that they are not inconsistent with the nature thereof.
III. Internal Regulations for Conduct in the Securities Markets

24 October 2017

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Preamble

The Internal Regulations for Conduct in the Securities Markets (the “Regulations”), which form a part of the Corporate Governance System of IBERDROLA, S.A. (the “Company”), are issued for application thereof to the Company and the companies included within the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), setting the rules governing the transparent management, control, and communication of Inside Information, as well as imposing certain obligations, limitations, and prohibitions on Affected Persons, Insiders, and Treasury Share Managers, all in order to protect the interests of the investors in securities of the Company and its Group and to prevent and avoid any situation of wrongdoing, yet encouraging and facilitating the participation of its directors and employees in the capital of the Company in strict compliance with applicable law.

PRELIMINARY TITLE. DEFINITIONS

Article 1. Definitions

For purposes of these Regulations, the following terms shall have the meaning set forth below:

a) Senior Officers: all those officers who report directly to the Board of Directors, the Chairman thereof, or to the chief executive officer of the Company, if any, and in every case, the director of the Internal Audit Area, as well as any other officer whose status as such is acknowledged by the Board of Directors, and those other officers of the Company who are classified as such by the Unit for purposes of these Regulations due to having regular access to information that may be deemed Inside Information and that are vested with powers to make managerial decisions affecting the future developments and business prospects of the Company.

b) External Advisers: those persons who, without having employee status, provide financial, legal, consultancy, or any other services to any company within the Group, in their own name or on behalf of another, and who have access to Inside Information because of the provision of such services.

c) CNMV: the National Securities Market Commission (Comisión Nacional del Mercado de Valores).

d) Administration and Control Division: the Company’s Administration and Control Division or such body as hereafter assumes the duties of such Division.

e) Development Division: the Company’s Development Division or such body as hereafter assumes the duties of such Division.

f) Finance and Resources Division: the Company’s Finance and Resources Division or such body as hereafter assumes the duties of such Division.

g) Confidential Documents: documents, whatever the format thereof, that contain Inside Information.

h) Treasury Share Managers: the Head of Treasury Share Management and the other persons listed in letter c) of article 2 below.

i) Inside Information: information of a precise nature, which has not been made public, relating directly or indirectly to the Company, to any other company of the Group, or to one or more Affected Securities or derivatives thereon, and which, if it were made public, would be likely to have a significant effect on the prices of such Affected Securities or on the price of related derivative financial instruments. In relation to commodity derivatives, information of a precise nature, which has not been made public, relating directly or indirectly to one or more such derivatives or relating directly to the related spot commodity contract, and which, if it were made public, would be likely to have a significant effect on the prices of such derivatives or related spot commodity contracts, and where this is information which is reasonably expected to be disclosed or is required to be disclosed in accordance with law, market rules, contract, or practice or custom on the relevant commodity derivatives markets or spot markets, shall be deemed Inside Information. For these purposes, information shall be deemed to be of a precise nature if it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonably be expected to occur, where it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the Affected Securities or the related derivative financial instrument, or the related spot commodity contracts.

In the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information.
An intermediate step in a protracted process shall be deemed to be Inside Information if, by itself, it satisfies the criteria of Inside Information as referred to in this definition.
Finally, information a reasonable investor would be likely to use as part of the basis of his or her investment decisions shall be deemed “information which, if it were made public, would be likely to have a significant effect on the prices of financial instruments, derivative financial instruments, or related spot commodity contracts”.

j) Insiders: the persons listed in letter b) of article 2 below.
k) Personal Transactions: every transaction conducted for their own account by Affected Persons and Treasury Share Managers or by their corresponding Connected Persons relating to the Affected Securities as defined in applicable legal provisions;
l) Affected Persons: the persons specified in letter a) of article 2 below.
m) Connected Persons: Connected Persons are persons who maintain any of the following relationships with Affected Persons or Treasury Share Managers:
— A spouse, or person considered to be equivalent to a spouse in accordance with Spanish law.
— Their dependent children.
— A relative who has shared the same household or for which they are responsible for at least one year on the date of determination of the existence of said connection.
— A legal person, trust or partnership, the managerial responsibilities of which are discharged by an Affected Person or Treasury Share Manager or by a person referred to in the preceding sections, or which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.
— Other persons or entities considered as such under the legal provisions in effect from time to time.

o) Register of Treasury Share Managers: register governed by article 5 below.
p) Registers of Insiders: registers governed by the provisions of article 4 below.
q) Register of Affected Persons: register governed by the provisions of article 3 below.
r) Head of Treasury Share Management: the person appointed by the Finance and Resources Division as the person responsible for coordinating the persons participating in treasury share transactions.
s) Unit: the Company’s Compliance Unit, the internal body entrusted with the duty, among others, of ensuring compliance with these Regulations.
t) Affected Securities: (i) negotiable securities issued by the Company or entities within its Group but excluding those issued by the listed country subholding companies that approve their own rules equivalent to these Regulations, as well as the subsidiaries thereof that have been admitted to trading or for which trading has been requested on an official secondary market or other regulated markets, within multilateral trading systems, organised trading systems, or on other organised secondary markets; (ii) financial instruments and contracts granting the right to acquire such securities; (iii) financial instruments and contracts whose underlying assets consist of the aforementioned securities, instruments, or contracts; and (iv) securities, instruments, and contracts of entities other than the Company and entities within its Group in respect of which Affected Persons and Insiders have obtained Inside Information because of their ties with the Company and, in any case, when so expressly determined by the Unit in order to best comply with these Regulations.

### TITLE 1. SUBJECTIVE SCOPE OF APPLICATION AND INCLUSION IN REGISTERS

### Article 2. Subjective Scope of Application

These Regulations shall apply to the following persons, to the extent applicable:

a) The directors, the secretary, the deputy secretaries, and the legal counsel to the Board of Directors, as well as the secretaries of the committees of the Board of Directors and the senior officers of the Company; as well as such other persons who, in accordance with applicable regulations at any time, are designated by the Unit – including, when appropriate, the members of the Unit itself – owing to their customary and recurring
access to information that may be deemed to be Inside Information for purposes of the provisions of these Regulations.

b) Those persons, including External Advisers, who have temporary or interim access to Inside Information of the Company because of their participation or involvement in a transaction or an internal process entailing access to Inside Information, during the time that they are included in a Register of Insiders under the provisions of article 4 below, and until such time as the Inside Information that gave rise to the creation of such register is disclosed to the market by way of the communication required by applicable law, and in any event when so notified by the Unit or, by delegation therefrom, by the division or area responsible for the transaction or the internal process in question (for example, due to the suspension or abandonment of the transaction giving rise to the Inside Information).

c) The Head of Treasury Share Management and those persons that the Unit, upon a proposal by the Company’s CFO, designates from among the employees of the Finance and Resources Division due to their responsibility for the management of the Company’s treasury shares, as described in article 13 of these Regulations, or due to having deemed it necessary to subject them to the rules contained in these Regulations based on their recurring access to information regarding the actions of the Company with respect to Affected Securities.

**Article 3. Inclusion in the Register of Affected Persons**

1. Affected Persons, as well as Persons Connected to directors and to Senior Officers, shall be included in the corresponding Register of Affected Persons, which the Unit shall be responsible for preparing and updating. Such register shall contain the following information:
   a) Identity of the Affected Persons, and in the case of directors and Senior Officers, of their respected Connected Persons.
   b) Reason why such persons have been included in the Register of Affected Persons.
   c) Dates and times of creation and update of such register.

2. The Register of Affected Persons shall be updated immediately in the following cases:
   a) When there is a change in the reasons why a person is included in the register.
   b) When it is necessary to add a new person to the register, in which case there shall be a notation of the date and time when such circumstance occurred.
   c) When an Affected Person included in the Register of Affected Persons ceases to have access to Inside Information, in which case the date and time when such circumstance occurs shall be noted.

The Unit shall review, at least on an annual basis, the identity of the persons forming part of the Register of Affected Persons.

3. The data contained in the Register of Affected Persons must be kept for at least five years from the date of creation of the register or, if subsequent thereto, from the last update thereof.

4. The Unit shall inform Affected Persons of their inclusion in the Register of Affected Persons and of the rights and other circumstances provided for in applicable legal provisions regarding the protection of personal data. In addition, the Unit shall inform Affected Persons of the fact that they are subject to the Regulations, of their duty of confidentiality with respect to the Inside Information, of the prohibition against using it, and of the violations and penalties that may arise from the improper use of Inside Information. The Unit must also provide Affected Persons with a copy of these Regulations.

5. Directors and Senior Officers must give written notice to their respective Connected Persons of the obligations arising from these Regulations and maintain a copy of the corresponding communication.

6. No later than fifteen days after receiving a copy of these Regulations, Affected Persons must deliver to the Unit a duly signed consent statement, which is attached as annex 1 hereto. In the case of directors, the provisions of article 6.3 below shall apply.

7. The Unit shall keep a copy of the Register of Affected Persons in electronic format, which shall be made available to the supervisory authorities. The electronic format shall at all times ensure: a) the confidentiality of the information included, b) the accuracy of the information appearing in the list of Affected Persons, and c) access to prior versions of said list and to the recovery thereof. For purposes of clarification, the only Connected Persons subject to the provisions of this article in their capacity as such shall be the Connected Persons of the directors and the Senior Officers.
Article 4. Inclusion in the Register of Insiders

1. The division or area that specifically assumes the responsibility of leading a transaction or an internal process that might entail access to Inside Information for purposes of these Regulations shall designate a person responsible for creating and keeping up-to-date a Register of Insiders, in accordance with the templates legally established for this purpose, which shall contain the following information:
   a) Identity of Insiders.
   b) Reason why such persons have been included in the Register of Insiders.
   c) Dates and times of creation and update of such register.

   The person responsible for any Register of Insiders must provide the Unit with a copy.

   Registers of Insiders must be updated in the same instances as the Register of Affected Persons. In addition, the data contained in a Register of Insiders must be kept at least for five years from the date of creation of the register, or if subsequent thereto, from the last update thereof.

2. The person responsible for a Register of Insiders shall send a notice following the model prepared by the Compliance Unit addressed to the persons listed therein and informing them of the rights and the circumstances mentioned in article 3.4 above, the prohibition against engaging in Personal Transactions in the Affected Securities while they are registered, their duty of confidentiality with respect to Inside Information, as well as their obligation to inform such responsible person of the identity of any other persons to whom Inside Information is provided in the ordinary course of their work, profession, or duties, in order for such persons to also be included in the Register of Insiders.

3. Communications to the directors, the secretary, the deputy secretaries and the legal counsel to the Board of Directors or to the secretaries of the committees of the Board of Directors shall be channelled through the Office of the Secretary of the Board of Directors. For these purposes, the person responsible for a Register of Insiders must inform the Office of the Secretary of the Board of Directors regarding the inclusion in said register of any of these people.

4. The Unit shall keep a copy of the Registers of Insiders in electronic format, which shall be made available to the supervisory authorities. The electronic format shall at all times ensure: a) the confidentiality of the information included, b) the accuracy of the information appearing in the list of Insiders, and c) access to prior versions of said list and to the recovery thereof.

Article 5. Inclusion in the Register of Treasury Share Managers

1. Treasury Share Managers shall be included in the corresponding Register of Treasury Share Managers, the preparation and update of which shall be the responsibility of the Unit, in accordance with the templates legally established for this purpose. Such register shall contain the following information:
   a) Identity of the Treasury Share Managers.
   b) Reason why such persons have been included in the Register of Treasury Share Managers.
   c) Dates and times of creation and update of such register.

2. The Register of Treasury Share Managers shall be immediately updated in the following cases:
   a) When there is a change in the reasons why a person is included in the register.
   b) When it is necessary to add a new person to the register.
   c) When the Unit, upon a proposal of the Company’s CFO, finds that a person who appeared in the Register of Treasury Share Managers should be removed therefrom because such person ceases to participate in the Company’s treasury share transactions, in which case the date and time when such circumstance occurs shall be noted.

   The Unit shall review, at least on an annual basis, the identity of the persons forming part of the Register of Treasury Share Managers.

3. The data contained in the Register of Treasury Share Managers must be kept for at least five years from the date of creation of the register or, if subsequent thereto, from the last update thereof.

4. The Unit shall inform Treasury Share Managers of their inclusion in the Register of Treasury Share Managers and of the rights and circumstances provided for in article 3.4 above. If they have had access to any Inside Information despite the precautions taken in compliance with applicable law and the Company’s internal regulations in this area, the Treasury Share Managers shall be required to immediately inform the Unit and the Company’s CFO of this circumstance in order to comply with article 13.3 of these Regulations; in this case, the Unit shall inform Treasury Share Managers of the need to refrain from engaging in, ordering, or
participating in the process of deciding upon treasury share transactions and of the special obligation of confidentiality that they assume with respect to treasury share transactions.

5. If it is decided, with the approval of the Company’s CFO, that a Treasury Share Manager will participate in a transaction, in the investigation or negotiation phase, during which information susceptible of being considered Inside Information is received, the Treasury Share Manager shall refrain from engaging, ordering or participating in the process of deciding on or implementing treasury share transactions. The Treasury Share Manager must also be removed from the Register of Treasury Share Managers, noting the date on which circumstance occurs, and shall be included in the Register of Insiders for the transaction. Once the Treasury Share Manager is removed from such Register of Insiders, the Treasury Share Manager shall again be included in the Register of Treasury Share Managers after authorisation from the Company’s CFO and the director of the Unit, noting the date of inclusion thereof. If the Treasury Share Manager affected by the measure is the Head of Treasury Share Management, the CFO must simultaneously appoint another person to perform the duties of Head of Treasury Share Management until the Head of Treasury Share Management is once again included, and give notice thereof to the CNMV.

6. No later than fifteen days after receiving a copy of these Regulations, the Treasury Share Managers must deliver to the Unit a duly signed consent statement, which is attached as annex 2 hereto.

7. The Unit shall keep a copy of the Register of Treasury Share Managers in electronic format, which shall be made available to the supervisory authorities. The electronic format shall at all times ensure: a) the confidentiality of the information included, b) the accuracy of the information appearing in the list of Treasury Share Managers, and c) access to prior versions of said list and to the recovery thereof.

TITLE II. PERSONAL TRANSACTIONS IN AFFECTED SECURITIES

Article 6. Notice of Personal Transactions in Affected Securities

1. Within three trading days of carrying out any Personal Transactions, Affected Persons and Treasury Share Managers shall send a notice to the Unit, by any means allowing for the receipt thereof, indicating the date, the type, the volume, the price, the number and description of the Affected Securities, the market on which the Personal Transaction has been carried out, where applicable, as well as, where applicable, the identity of the Connected Person performing the Personal Transaction or the intermediary through which the transaction was effected, all in accordance with the templates legally established for this purpose or prepared by the Unit in the absence thereof.

The provisions of the preceding paragraph shall apply to all subsequent Personal Transactions once the volume of the Personal Transactions has reached a total amount of five thousand euros during a calendar year or such higher amount as is determined by the CNMV. Notice of Personal Transactions performed prior to reaching this amount need not be provided. The above threshold shall be calculated using the sum of all Personal Transactions, without any offset among Personal Transactions with positive or negative results, such as purchases and sales.

By way of exception to the foregoing, directors must give notice of any Personal Transaction, with no annual minimum, as well as the proportion of voting rights attributed to the Affected Securities under their control, after each Personal Transaction. Directors must also give notice of said upon acceptance of their appointment and upon their separation as directors, and shall apply, in the case of appointment, from the trading day following the day of their acceptance.

2. The Unit may request any Affected Person or Treasury Share Manager to report thereto in sufficient detail, or to supplement information already provided, regarding any transaction that may fall under the provisions of these Regulations, even if it does not exceed the threshold indicated in section 1 above, including their position in connection with the Affected Securities. Such request must be answered within seven business days.

3. Any disclosure that the directors, the secretary, the deputy secretaries and the legal counsel to the Board of Directors or the secretaries of the committees of the Board of Directors must make to the Unit pursuant to the provisions of these Regulations must be made through the Office of the Secretary of the Board of Directors.

4. The Unit shall keep a register of the communications mentioned in the preceding sub-sections. The content of such register shall be confidential and may only be disclosed to the Board of Directors or to such person
as it designates in the course of a specific action, as well as to court and governmental authorities within the framework of applicable proceedings.

5. The provisions of the foregoing sections shall be deemed to be without prejudice to the obligations binding upon directors and Senior Officers to report Personal Transactions in Affected Securities to the CNMV in compliance with applicable legal provisions.

6. The Unit shall inform each of the persons to whom this section applies of the obligation to comply with it.

Article 7. Limitations on Personal Transactions in Affected Securities

1. Affected Persons, Treasury Share Managers and their corresponding Connected Persons may not conduct Personal Transactions in Affected Securities:
   a) During a period of thirty calendar days prior to the date provided for the disclosure by the Company to the markets of the content of the half yearly or yearly financial report or interim management statement. In any event, the Unit may provide that the aforementioned period be greater and may also apply the rules on prohibition against Personal Transactions in Affected Securities to other cases in which said prohibition is advisable due to the nature thereof. The Unit shall communicate to Affected Persons and Treasury Share Managers both the order prohibiting Personal Transactions in Affected Securities as well as the lifting of the suspension, and shall report the foregoing to the Corporate Social Responsibility Committee at the next meeting held thereby.
   For purposes of clarification, neither the acquisition of shares as a result of the delivery thereof by the Company as remuneration nor the subscription of shares in capital increases with a charge to reserves in the exercise of the free-of-charge allocation rights given to the Affected Persons as owners of the Company’s shares shall be deemed Personal Transactions in Affected Securities subject to the restrictions established in the preceding paragraph. However, during the period referred to in the preceding paragraph, the sale of said free-of-charge allocation rights shall require the prior approval of the Compliance Unit.
   b) When they have Inside Information concerning the Affected Securities or the issuer thereof pursuant to the provisions of article 9.8 of these Regulations, except for the instances provided for therein.
   c) When expressly determined by the Unit in order to best comply with these Regulations.
   In any event, the Unit may decide that the conduct of any Personal Transactions in Affected Securities or of those transactions whose amount exceeds a certain threshold be submitted for its prior authorisation, of which it shall notify the Affected Persons and the Treasury Share Managers.

2. Insiders may not conduct transactions in Affected Securities while they have such status.
   For purposes of clarification, the provisions of the preceding paragraph shall not prevent the acquisition of shares by Insiders as a result of the delivery thereof by the Company as remuneration nor the subscription of shares in capital increases with a charge to reserves, in the exercise of the free-of-charge allocation rights given to Insiders as owners of the Company’s shares shall be deemed Personal Transactions in Affected Securities. However, they may not sell said free-of-charge allocation rights for so long as they have this status. If Insiders have any question regarding the scope of the prohibition set forth in this section, they must submit them to the director of the Unit, who may forward them to the Unit. Insiders must refrain from taking any action until they have received an answer to their inquiry from the director of the Unit.

3. Without prejudice to articles 9 and 12 of the Regulations and other applicable rules, the Unit may authorise Affected Persons and their respected Connected Persons to engage in Personal Transactions for a limited period of time within the period set out in letter a) of section 1 above, in any of the following instances:
   a) In exceptional circumstances, such as severe financial difficulty, which require the immediate sale of the Affected Securities, in any case after a written request addressed to the Unit (or to the Secretary of the Board of Directors in the case of directors, the secretary, deputy secretaries, or the legal counsel of the Board of Directors, as well as the secretaries of the committees of the Board of Directors) describing and providing the reasons for the Personal Transaction by the relevant Affected Person.
   b) Personal Transactions within the framework of or relating to share incentive plans or regarding pre-empitious subscription rights or bonus shares.
   c) Personal Transactions where the beneficial interest in the relevant security does not change.
   In any event, the Affected Person must demonstrate that the specific Personal Transaction cannot be effectuated at another moment in time that is not during the closed period set out in letter a) of section 1 above.
4. If Affected Persons [other than members of the Board of Directors] have any questions regarding Personal Transactions in Affected Securities, they must submit them to the director of the Unit, who may forward them to the Unit. Affected Persons must refrain from taking any action until they have received an answer to their inquiry from the director of the Unit. The members of the Board of Directors shall follow the same procedure, submitting their questions to the Office of the Secretary of the Board of Directors, which will make a decision in consultation, if applicable, with the Unit.

**Article 8. Portfolio Management**

Whenever any Affected Person or Treasury Share Manager or their respective Connected Persons sign a discretionary portfolio management contract, such contract shall be deemed to be a Personal Transaction in Affected Securities. Therefore, the following rules shall apply to such contracts:

a) Authorisation: the formalisation of discretionary portfolio management contracts by Affected Persons, Treasury Share Managers or their respective Connected Persons shall require the prior authorisation of the Unit, which shall verify that the contract will comply with the provisions of the paragraph c) below. A denial of the authorisation shall be duly substantiated.

b) Communication: after obtaining the authorisation referred to in the preceding letter, Affected Persons [other directors, the secretary, the deputy secretaries and the legal counsel of the Board of Directors, as well as the secretaries of the committees of the Board of Directors] and the Treasury Share Managers must report to the Unit any portfolio management contracts that they formalise within three business days of the date of execution, and must provide the aforementioned body, on a half yearly basis, with a copy of the information sent to them by the portfolio manager in relation to the Affected Securities, including the date, number, price, and type of transactions conducted, all without prejudice to the provisions of article 6. The directors, the secretary, the deputy secretaries and the legal counsel to the Board of Directors, as well as the secretaries of the committees of the Board of Directors, shall send such notifications upon the same terms to the Office of the Secretary of the Board of Directors.

c) Contracts: the discretionary portfolio management contracts must expressly state that they are subject to these Regulations.

They must also contain an express instruction to the manager to refrain from engaging in those transactions in Affected Securities that are prohibited by these Regulations.

By way of exception to the provisions of the preceding paragraph, discretionary portfolio management contracts that do not contain the aforementioned instruction may be executed if they are executed at a time when the Affected Persons or the Treasury Share Managers or corresponding Connected Person is not in possession of Inside Information and if it is absolutely and irrevocably guaranteed in said contracts:

(i) that the transactions shall be carried out without the participation of above persons, and therefore exclusively using the professional judgement of the manager and in accordance with the criteria generally applied to customers with similar financial and investment profiles; and

(ii) that the corresponding transaction in Affected Securities shall be immediately disclosed in order for the above persons to be able to comply with their duty of disclosure pursuant to the provisions of article 6 of these Regulations.

d) Prior contracts: Contracts formalised prior to the effectiveness of these Regulations must be adapted to the provisions set forth herein. Until such adaptation occurs, Affected Persons or Treasury Share Managers or their corresponding Connected Persons shall direct the manager not to carry out any transaction in the Affected Securities.

**TITLE III. TREATMENT OF INSIDE INFORMATION**

**Article 9. Inside Information**

1. The heads of the various Divisions and persons in charge of financial or legal transactions under study or negotiation who receive or generate information that may qualify as Inside Information must report any such circumstance to the Unit on a case-by-case basis as soon as any such circumstance occurs, by means that adequately ensure the confidentiality of such information. The Unit may or may not determine the information to be Inside Information.

2. All Affected Persons as well as Insiders (except External Advisers) are required to be aware of and comply with the regulations and internal procedures established regarding the confidentiality of Inside Information.
3. In the case of External Advisers, a confidentiality undertaking must be signed with the Company prior to the transfer of any Inside Information, except when they are subject to a duty of professional secrecy under the rules of their profession. External Advisers shall be informed in any event of the inside nature of the information provided to them and of the obligations they assume with respect thereto, as well as their inclusion within the Register of Insiders, and shall be required to state that they are aware of all of the above.

4. The division or area that specifically assumes responsibility for leading a transaction or internal process that might involve access to Inside Information for purposes of these Regulations shall ensure that there is a Register of Insiders for each transaction or internal process that might involve access to Inside Information pursuant to the provisions of article 4 of these Regulations, and shall immediately report to the Unit on the status of a transaction that is currently in course, or provide a preview, in the event that there are unusual changes in trading volumes or prices of the Affected Securities and reasonable signs exist that such changes are the result of the early, partial, or distorted disclosure of the transaction.

5. The Corporate Security Division shall establish security measures for the custody, filing, reproduction, and distribution of and access to the Inside Information.

6. The Finance and Resources Division, in coordination with the Unit, shall monitor the market changes in the listing prices and trading volumes of the Affected Securities, as well as rumours and the news reported by professional broadcasters of financial information and media regarding the Affected Securities.

7. The Finance and Resources Division shall subject transactions in the company’s own shares or financial instruments based thereon to measures aimed at preventing investment or divestment decisions being affected by the knowledge of Inside Information.

8. Affected Persons in possession of Inside Information, and in any case all Insiders, must refrain from directly or indirectly engaging in the following conduct, whether for their own account or the account of another:
   a) Preparing or carrying out any kind of Personal Transaction in the Affected Securities to which the information refers, including the direct or indirect acquisition, transfer, or assignment for their own account or that of another of the Affected Securities to which the Inside Information refers. The use of this type of information to cancel or modify an order regarding an Affected Security to which the Inside Information refers shall also be deemed a Personal Transaction with Inside Information if the order is given prior to becoming aware of the Inside Information. They must also refrain from even attempting to engage in any of the foregoing transactions.
   b) Disclosing such information to third parties other than in the normal course of their work, profession, or duties, provided, however, that those to whom the information is disclosed in the normal course of their work, profession, or duties must be subject, by law or under contract, to a duty of confidentiality and that they have confirmed to the Company that they have the necessary means to protect it.
   c) Recommending to a third party that they engage in any of the transactions referred to in letter a) in Affected Securities or cause another to engage in said transactions based on Inside Information.

9. Affected Persons who have Inside Information, and any Insiders, shall also be required to:
   a) Safeguard the confidentiality of the Inside Information to which they have access, without prejudice to their duties of communication and cooperation with court and administrative authorities under the terms set forth in the MAR and other applicable legal provisions.
   b) Limit knowledge thereof strictly to those persons, inside or outside the Group, for whom access to the knowledge is essential, with special care taken to ensure that no Treasury Share Manager has access thereto.
   c) Adopt appropriate measures to prevent the Inside Information from being misused or abused.
   d) Give immediate notice to the Unit of any misuse or abuse of Inside Information of which they are aware.
10. Except for the circumstance provided for in article 5.5 of these Regulations, the preceding sections 1 to 9 of this article shall not apply to Treasury Share Managers, who are not authorised to access Inside Information.

11. If a Treasury Share Manager gains access to any Inside Information despite the precautions adopted in compliance with applicable law and the internal regulations of the Company in this area, they shall refrain from conducting, ordering, or participating in the process of deciding on or implementing treasury share transactions.

In addition, they must give immediate notice of such circumstance to the Unit, as well as the Company’s CFO, who shall take the appropriate measures in such regard, including the temporary replacement of the person who has had access to the Inside Information in their duties with respect to treasury shares.

If the Treasury Share Manager having access to the Inside Information is the Head of Treasury Share Management, and the measure consists of the temporary replacement thereof, the CFO must simultaneously appoint another person to perform the duties of the Head of Treasury Share Management for so long as such measure remains in effect, and give notice thereof to the CNMV.

**Article 10. Confidential Documents**

1. Affected Persons and Insiders in possession of Confidential Documents must act diligently in the use and handling thereof and shall be responsible for their custody and preservation and for keeping them confidential.

2. Specifically, and without prejudice to any additional measures that may be established by the Unit, Affected Persons and Insiders shall subject the use, handling, and processing of Confidential Documents to the following rules (or, in the case of External Advisers, to such similar provisions as may be in place at the organisations to which they belong):

   a) The persons in charge of the custody thereof shall be identified. Such persons shall be those entrusted with coordination of the work to which the Inside Information refers.

   In the case of documents in electronic format, adequate security mechanisms shall be established to limit access only to the persons in charge.

   b) They must be marked “confidential”, with an indication that the use thereof is restricted. In the case of documents in electronic format, the confidential nature thereof shall be indicated before the information can be accessed.

   c) They shall be kept in places set aside for such purposes, and designated cabinets or electronic formats shall be determined for local filing purposes, which shall be fitted or equipped with special protective measures.

   d) The reproduction thereof shall require the authorisation of the director of the area in charge of keeping custody thereof. Recipients of reproductions or copies must be advised of the prohibition against obtaining second copies and using the information for purposes other than those for which it was disclosed to them.

   e) The distribution thereof shall preferably be by means of hand delivery when they are in hard-copy format. If this is not possible, protective measures must be maximised, and the persons in charge of keeping custody of the Confidential Documents shall be responsible for any such distribution. If the distribution is in electronic format, exclusive access by the recipient of the Confidential Documents shall be ensured.

   f) The disposal thereof must be handled in such a way as to ensure the complete destruction thereof.

3. The areas that handle Inside Information and any others as determined by the Unit shall not allow access to their records, files, or computer systems to any person who is not a member thereof, unless authorised by the director of the area in question in the customary decision-making processes previously established by Company, or to any Treasury Share Manager.

**Article 11. Public Disclosure of Inside Information**

1. The Company shall publicly disclose all Inside Information that directly concerns it, as soon as possible, by reporting it to the CNMV. Inside Information may not be disclosed by any other means without prior publication thereof on the website of the CNMV. Furthermore, the content of the Inside Information disclosed to the market by any information or communication channel other than the CNMV must be consistent with what is reported to the CNMV. In addition, any significant change that has occurred in the Inside Information reported shall be disclosed to the market immediately by the same means.
2. The content of the report shall be truthful, clear, and complete. The information shall be stated in a neutral manner, without bias or value judgements that prejudice or distort the scope thereof, applying the same standards to Inside Information regardless of whether it might favourably or unfavourably affect the listing price of the Affected Securities. Whenever possible, the content of the information must be quantified, with an indication if appropriate of the relevant amount. When dealing with approximations, such circumstance shall be specified, and an estimated range shall be provided when possible. The report shall also include the background, references, or points of comparison deemed appropriate, in order to facilitate an understanding and the scope thereof. In those circumstances in which the Inside Information covered by the report refers to decisions, agreements, or plans whose effectiveness is subject to prior or subsequent approval or ratification by another body, person, entity, or public authority, such circumstance shall be specified.

If the Company discloses projections, forecasts, or estimates of accounting, financial, or operational figures containing Inside Information, it must comply with the following conditions:

a) Estimates or forecasts of accounting figures subject to basic assumptions used for the calculation thereof must have been prepared in a manner consistent with the accounting rules and principles applied in the preparation of the annual accounts and be comparable to the financial information published in the past and that must subsequently be disclosed by the Company.

b) They must be clearly identified, specifying that they are estimates or forecasts by the Company, which, as such, do not constitute guarantees that they will be met in the future and are subject to risks, uncertainties, and other factors that might cause final performance and results to differ from the content of such projections, forecasts, or estimates.

c) It must clearly distinguish whether the disclosures are operational goals or mere estimates or forecasts regarding the expected performance of the Company. It must also identify the time frame to which the estimates or forecasts refer and specify the basic assumptions upon which they are based.

Finally, the Company shall not misleadingly combine the disclosure to the market of Inside Information with the commercialisation of its activities.

3. Inside Information shall be transmitted to the CNMV in a manner that ensures the security of such communication, minimises the risk of data corruption and unauthorised access, and provides certainty regarding the source of such information, and any failure or disruption in the transmission of the information under its control shall be remedied as soon as practicable. In addition, the Inside Information must be clearly identified as such, the Company must be clearly identified as the issuer, and the subject matter of the information and the date and time of the communication must be clearly stated. In addition to the information specified in the preceding paragraph, the Company must also be in a position to communicate the following to the CNMV in connection with the disclosure of Inside Information:

a) The name of the person who has provided the information.

b) Security validation data.

c) The format of the information communicated.

d) If applicable, detailed information on any restriction imposed by the Company regarding the Inside Information.

4. Inside Information must be reported to the CNMV by the secretary of the Board of Directors or, in the absence thereof, by one of the deputy secretaries of the Board of Directors or by such person as is designated by either of the former, within the deadlines and in accordance with the formalities established in applicable regulations.

5. The Company shall designate at least one authorised spokesperson before the CNMV to respond effectively and with sufficient speed to questions, verifications, or requests for information by the CNMV regarding the disclosure of Inside Information.

6. The Company may delay the public disclosure of the Inside Information provided that all of the following conditions are met:

a) immediate disclosure is likely to prejudice the legitimate interests of the Company;

b) delay of disclosure is not likely to mislead the public; and

c) the Company is able to ensure the confidentiality of that information.
In the case of a protracted process that occurs in stages and that is intended to bring about, or that results in, a particular circumstance or a particular event, the Company may delay the public disclosure of the Inside Information regarding such process, subject to the provisions of letters a), b), and c) above.

If the Company delays the disclosure of the Inside Information pursuant to this section, it must inform the CNMV of the decision to delay disclosure on the terms provided by law immediately after the disclosure is made to the public.

7. Inside Information that is publicly disclosed shall be published on the Company’s website. The Company shall post and maintain on its corporate website, for a period of at least five years, all Inside Information it is required to disclose publicly.

8. Meetings of a general nature with analysts, investors, or the media must be planned in advance so as to ensure that persons participating in any such meetings do not disclose Inside Information that has not been previously disclosed to the market as indicated in this article.

**Article 12. Market Manipulation**

1. Affected Persons, Treasury Share Managers, and Insiders must refrain from preparing or engaging in any type of practice that might entail market manipulation. They must also refrain from even attempting to engage in any of said practices.

2. For these purposes, market manipulation shall include the following activities:
   - a) entering into a transaction or placing an order to trade or any other behaviour which:
     - (i) gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, an Affected Security, or
     - (ii) secures, or is likely to secure, the price of one or several Affected Securities at an abnormal or artificial level;
     - unless the person entering into a transaction, placing an order to trade or engaging in any other behaviour establishes that such transaction, order, or behaviour have been carried out for legitimate reasons, and conform with an accepted market practice accepted by the CNMV;
   - b) entering into a transaction, placing an order to trade or any other activity or behaviour which affects or is likely to affect the price of one or several Affected Securities, which employs a fictitious device or any other form of deception or contrivance;
   - c) disseminating information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of an Affected Security, or is likely to secure the price of one or several Affected Securities at an abnormal or artificial level, including the dissemination of rumours, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading; or
   - d) transmitting false or misleading information or providing false or misleading inputs in relation to a benchmark where the person who made the transmission or provided the input knew or ought to have known that it was false or misleading, or any other behaviour which manipulates the calculation of a benchmark.

**Title IV. Treasury Share Transactions**

**Article 13. Treasury Share Transactions regarding Shares of the Company**

1. For purposes of these Regulations, treasury share transactions shall be deemed to be those carried out by the Company, whether directly or through any of the companies of the Group, covering shares of the Company, as well as financial instruments or contracts of any kind, whether or not traded on a Stock Exchange or other organised secondary markets, which grant the right to the acquisition of, or whose underlying assets are, shares of the Company.

2. Treasury share transactions shall always pursue lawful aims, such as, among others, providing investors with sufficient liquidity and depth in the trading of shares of the Company, implementing programmes for the purchase of the Company’s own shares approved by the Board of Directors under the corresponding authorisation of the shareholders acting at a General Shareholders’ Meeting, complying with legitimate previously agreed commitments, or any other purpose allowed under applicable law. In no event may treasury share transactions be used to intervene in the free formation of prices, generating deceptive volume signals, that might cause the appearance that the volume of supply or demand for the Company’s shares is greater.
than what would result from the free play of offer and demand, and mislead an investor with respect to liq-
uidity levels. In particular, any conduct referred to in section 12 of the MAR or article 12 of these Regulations shall be avoided.

3. Treasury share transactions by the Group shall in no event be carried out based on Inside Information.

4. The management of treasury shares shall be implemented with complete transparency in the relations with supervisors and market regulators.

5. The Finance and Resources Division, as the body responsible for conducting treasury share transactions, shall perform the following duties:
   a) Appoint the Head of Treasury Share Management, who will report monthly to the Audit and Risk Super-
       vision Committee on treasury share transactions and financial instruments and contracts of any kind traded on organised secondary markets that give the right to acquire or whose underlying assets are such shares.
   b) Report the appointment of the Head of Treasury Share Management to the CNMV.
   c) Manage treasury shares in accordance with the provisions of this article.
   d) Monitor the market performance of the shares of the Company.
   e) Keep a file of all treasury share transactions that have been ordered and carried out.
   f) Through the Head of Treasury Share Management, inform the Unit, at the request thereof, regarding changes in the price of the Company’s shares on the markets and regarding treasury share transactions carried out, as well as report such transactions to the CNMV in compliance with applicable rules and regulations, and also regarding the liquidity agreement that the Company has signed or is going to sign with a market member.

6. If Treasury Share Managers have any inquiries regarding transactions in Affected Securities, they must submit them to the Company’s CFO or to the director of the Unit, who may decide to forward them to the Unit if the latter so deems appropriate. Treasury Share Managers must refrain from taking any action until they obtain the corresponding answer to their inquiry from the CFO or the director of the Unit, as applicable.

7. The Company shall cause treasury share management to be impermeable with respect to the rest of its activities. For such purposes, Treasury Share Managers shall make a special commitment to maintain confidentiality with respect to treasury share transactions.

8. In treasury share transactions, the Group shall observe, in addition to the provisions of this article, all obligations and requirements that may arise from rules and regulations applicable thereto at any time, and shall only depart from the standards regarding discretionary treasury share transactions recommended by regulatory bodies when there are grounds for doing so. In this latter case, the Head of Treasury Share Management must so inform the Audit and Risk Supervision Committee.

**TITLE V. PERSONAL TRANSACTIONS BY TREASURY SHARE MANAGERS**

**Article 14. Restrictions on Personal Transactions by Treasury Share Managers**

1. Treasury Share Managers shall refrain from using corporate resources of the Company to enter into transactions for their own account in any securities or financial instruments, including the Affected Securities.

2. Treasury Share Managers shall refrain from entering into advance transactions for their own account regarding Affected Securities or other securities of listed companies in which the Company has an interest when they are aware of upcoming activities of the Company regarding such securities, as well as from entering into any other transactions that constitute a use for their own benefit of the information obtained as a result of their participation in the management of the Company’s treasury shares.

For purposes of compliance with the provisions of this Title V, the Unit shall keep an updated list of the listed companies in which the Company has a direct or indirect interest, regarding the securities of which certain operational restrictions and disclosure obligations are established for the Treasury Share Managers, to be made available thereto for consultation in the event that questions arise.

**Article 15. Notice of Transactions in Affected Securities**

1. Without prejudice to other obligations to notify the Unit set forth in these Regulations, Treasury Share Managers shall notify the Unit by any means that allows for the receipt thereof, in advance and at least twenty-four hours prior to giving the relevant order, of the intention to enter into transactions for their own ac-
count in Affected Securities or other securities of listed companies in which the Company has a direct or indirect interest.

If the notice cannot be provided with the minimum advance period of twenty-four hours due to reasons of urgency, it may be made with a lesser period of advance notice, but in such case the prior authorisation of the director of the Unit must be obtained before entering into the corresponding transaction.

2. For Treasury Share Managers, the obligation to provide notice set forth in article 6.1 of these Regulations shall cover transactions for their own account in other securities of listed companies in which the Company holds a direct or indirect interest, in addition to transactions in Affected Securities.

3. The register of notices referred to in article 6.4 of these Regulations shall also include the notices referred to in this article.

**TITLE VI. COMPLIANCE UNIT**

**Article 16. Rules Applicable to the Unit within the Framework of these Regulations**

1. The Unit shall ensure that these Regulations are observed, and its duties for such purpose shall include:
   
   a) Promoting the awareness by Affected Persons, Treasury Share Managers, and Insiders and by the Group in general of these Regulations and other rules governing conduct with respect to the securities markets.
   
   b) Answering any questions or queries that may arise in connection with the content, interpretation, application, or fulfilment of these Regulations that may be raised by the Finance and Resources Division, or the Office of the Secretary of the Board of Directors, without prejudice to the possibility of to the Board of Directors those issues that the Unit deems necessary or appropriate.
   
   c) Determining the persons who are to be considered Affected Persons for purposes of these Regulations pursuant to the provisions of article 2.
   
   d) Preparing and updating the Register of Affected Persons and the Register of Treasury Share Managers as provided for in articles 3 and 5 above.
   
   e) Informing Affected Persons and Treasury Share Managers of their inclusion in the Register of Affected Persons and Register of Treasury Share Managers, respectively, and of the other circumstances referred to in articles 3.4 and 5.4 above, as applicable.
   
   f) Keeping a copy of the Register of Affected Persons, of the Register of Insiders, and of the Register of Treasury Share Managers in electronic format and available to the supervising authorities, as provided in articles 3, 4, and 5 above.
   
   g) Determining the securities, instruments, and contracts that are to be considered Affected Securities for purposes of these Regulations pursuant to the provisions of letter t) of article 1 above.
   
   h) Giving the relevant authorisations so that Affected Persons, Treasury Share Managers, or their Connected Persons may enter into a discretionary portfolio management agreement in accordance with the provisions of article 6.3 above.
   
   i) Determining which Personal Transactions in Affected Securities are deemed to be prohibited pursuant to the provisions of article 7.1.c) above.
   
   j) Determining the information to be considered as Inside Information for purposes of these Regulations pursuant to the provisions of article 9.1 above.
   
   k) Establishing and modifying criteria, definitions, and procedures in connection with the duties and obligations established in these Regulations when deemed necessary for the correct interpretation and implementation hereof.
   
   l) Determining the restricted-access records, files, and electronic systems for the purpose of using, processing, and handling Inside Information pursuant to the provisions of article 10 above.
   
   m) Maintaining an updated list of the listed companies in which the Company has a direct or indirect interest, regarding the securities of which certain operational restrictions and disclosure obligations are established for the Treasury Share Managers, to be made available thereto.
   
   n) Keeping on file and keeping custody, for at least five years, of all communications sent thereto in compliance with these Regulations.
   
   o) Developing the procedures and rules deemed appropriate for the application of these Regulations, which may be regularly submitted for assessment to an internal or external body or entity that shall in all cases
be independent of the Unit, and that shall review the effectiveness and conformity of such procedures and rules with the application of these Regulations.

p) Any other specific or permanent duty that may be assigned thereto by the Board of Directors of the Company.

2. The Unit may request such data and information from the Finance and Resources Division and any other division of the Company as it deems necessary for the performance of its duties.

3. The Unit shall inform the Corporate Social Responsibility Committee of the measures taken to promote awareness of and ensure compliance with these Regulations and the applicable rules and regulations concerning the securities markets at least on an annual basis, and whenever it may see fit or be required to do so.

4. In addition, the Unit shall notify both the Office of the Secretary of the Board of Directors and the Finance and Resources Division of the conclusions and resolutions it adopts in the performance of its duties.

5. The Unit may include content within the Employee Portal in order to promote the awareness of these Regulations and of the rules for conduct by the Group’s professionals in the securities markets, as well as to establish software applications so that Affected Persons, Treasury Share Managers, and Insiders have the possibilities set forth below, by way of example and not limitation:
   a) To view these Regulations.
   b) To view its implementing rules that are approved by the Board of Directors or the Unit itself.
   c) To be aware of the interpretations of the Unit regarding aspects of these Regulations that have given rise to questions.
   d) To download the forms required to seek authorisations or make any mandatory communications.
   e) To inform the Unit, through software applications, of their transactions in Affected Securities, pursuant to the provisions of article 6 of these Regulations, or such other transactions for which notice must be given pursuant to these Regulations.
   f) To inform the Unit through e-mail of any misuse or disloyal use of Inside Information of which they are aware, pursuant to the provisions of article 9.9.d) of these Regulations.

6. The members of the Unit shall maintain secrecy regarding the deliberations and resolutions of this body, and shall generally refrain from disclosing the information, data, reports, or background to which they have access in the performance of their duties, and to refrain from use thereof for the benefit of themselves or third parties, without prejudice to the transparency and reporting obligations provided for in the Company’s Corporate Governance System and in applicable law. The obligation of confidentiality for the members of the Unit shall remain in force even after they no longer hold their position.

**TITLE VII. BREACH**

**Article 17. Breach**

Failure to comply with the provisions of these Regulations shall have the consequences provided for by applicable law.
ANNEX 1. Internal regulations for conduct in the securities markets

Consent Statement for Affected Persons
To the Compliance Unit
The undersigned, ............................................................., born on .................., with Tax ID Number (NIF) .................., with a personal address at .................., with professional fixed and mobile phone numbers .................., and personal fixed and mobile numbers .................., in his/her capacity as an Affected Person, declares that he/she has received a copy of the Internal Regulations for Conduct in the Securities Markets (the “Regulations”) and expressly represents that he/she is in agreement with the content thereof [and has given written notice to his/her Connected Persons of the obligations arising from these Regulations].

In addition, the undersigned declares that he/she has been informed that:

(i) Pursuant to the provisions of the restated text of the Securities Market Act approved by Royal Legislative Decree 4/2015 of 23 October (hereinafter, the “LMV”), the improper use of the Inside Information to which he/she may have access, as well as a breach of the other obligations provided for in the Regulations, might amount to a serious or very serious infringement or the crime of abuse of inside information in the stock exchange market contemplated in section 285 of Implementing Law 10/1995 of 23 November of the Criminal Code (the “Criminal Code”).

(ii) The improper use of Inside Information, as well as the breach of the other obligations provided for in the Regulations, may be punished in the manner provided for by sections 302 and 303 of the LMV and by article 285 of the Criminal Code, with fines, public reprimands, removal from office, and imprisonment.

Finally, pursuant to the provisions of Personal Data Protection Implementing Act 15/1999 of 13 December, the undersigned declares that he/she has been informed that his/her data of a personal nature contained in this statement and provided subsequently on occasion of the notifications made in compliance with the Regulations being processed and included in a file under the responsibility of IBERDROLA, S.A., domiciled in Bilbao (Biscay), at Plaza Euskadi, number 5, for purposes of the implementation and control of the provisions of the Regulations, and gives his/her consent thereto.

In addition, the undersigned declares that he/she has been informed that he/she may exercise the rights of access, rectification, deletion, or opposition, based on the provisions of applicable law in connection therewith, by contacting IBERDROLA, S.A. in writing at the address set forth above.

As regards the personal data, if any, provided with respect to other individuals, the undersigned declares that he/she has previously informed them regarding the processing by IBERDROLA, S.A. and of their respective rights, on the terms set forth above, and that he/she has obtained their consent and undertakes to provide to IBERDROLA, S.A., upon request at any time, written evidence that such consent has been obtained.

In ................................, on this .................. day of 20......
Signed: ...........................................

This statement shall be included in the annexes signed by Affected Persons who are directors or Senior Officers.
ANNEX 2. Internal regulations for conduct in the securities markets

Consent Statement for Treasury Share Managers

To the Compliance Unit

The undersigned, ............................................................, born on .................., with Tax ID Number (NIF) .................., with a personal address at .................., with professional fixed and mobile phone numbers .................., and personal fixed and mobile numbers .................., in his/her capacity as Treasury Share Managers, declares that he/she has received a copy of the Internal Regulations for Conduct in the Securities Markets (the “Regulations”) and expressly represents that he/she is in agreement with the content thereof.

In addition, the undersigned declares that he/she has been informed that:

(i) Transactions in the treasury shares of the IBERDROLA, S.A. group shall not in any case be conducted on the basis of Inside Information.

(ii) Pursuant to the provisions of the restated text of the Securities Market Act approved by Royal Legislative Decree 4/2015 of 23 October (hereinafter, the “LMV”), the improper use of the Inside Information to which he/she may have access, as well as a breach of the other obligations provided for in the Regulations, might amount to a serious or very serious infringement or the crime of abuse of inside information in the stock exchange market contemplated in section 285 of Implementing Law 10/1995 of 23 November of the Criminal Code (the “Criminal Code”).

(iii) The improper use of Inside Information, as well as the breach of the other obligations provided for in the Regulations, may be punished in the manner provided for by sections 302 and 303 of the LMV and by article 285 of the Criminal Code, with fines, public reprimands, removal from office, and imprisonment.

(iv) In the event that, despite the precautions adopted in compliance with applicable law and the internal regulations of IBERDROLA, S.A. in this area, he/she has access to any Inside Information, he/she must refrain from conducting, ordering, or participating in the process for deciding the treasury share transactions and must give immediate notice thereof to the Compliance Unit, as well as to the CFO.

(v) Without prejudice to the confidentiality obligations applicable thereto as an employee of IBERDROLA, S.A., the undersigned, as a Treasury Share Manager, assumes a special commitment of confidentiality with respect to treasury share transactions.

In particular, there is an obligation to keep confidential and not communicate or disclose to third parties, whether directly or indirectly, any information regarding strategy or transactions with respect to treasury shares of IBERDROLA, S.A., or any other information that the undersigned becomes aware of while registered with the Register of Treasury Share Managers as a result of the exercise of the duties thereof regarding the management of the treasury shares of IBERDROLA, S.A., without the consent thereof, except in the exercise of duties regarding the management of the treasury shares or by legal mandate.

In addition, the undersigned undertakes to use such information solely for the purpose of complying with the undersigned’s duties regarding the management of the treasury shares of IBERDROLA, S.A. and to refrain from performing any transactions that constitute a use thereof for his/her own benefit or that of third parties.

Finally, pursuant to the provisions of Personal Data Protection Implementing Act 15/1999 of 13 December, the undersigned declares that he/she has been informed that his/her data of a personal nature contained in this statement and provided subsequently on occasion of the notifications made in compliance with the Regulations being processed and included in a file under the responsibility of IBERDROLA, S.A., domiciled in Bilbao (Biscay), at Plaza Euskadi, number 5, for purposes of the implementation and control of the provisions of the Regulations, and gives his/her consent thereto.

In addition, the undersigned declares that he/she has been informed that he/she may exercise the rights of access, rectification, deletion, or opposition, based on the provisions of applicable law in connection therewith, by contacting IBERDROLA, S.A. in writing at the address set forth above.

As regards the personal data, if any, provided with respect to other individuals, the undersigned declares that he/she has previously informed them regarding the processing by IBERDROLA, S.A. and of their respective rights, on the terms set forth above, and that he/she has obtained their consent and undertakes to provide to IBERDROLA, S.A., upon request at any time, written evidence that such consent has been obtained.

In ................................, on this .................. day of 20......
Signed: ...........................................
IV. Internal Rules for the Processing of Inside Information

3 July 2016

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Preamble

These Internal Rules for the Processing of Inside Information (the “Rules”) form part of the Corporate Governance System of IBERDROLA, S.A. (the “Company”) and are approved by the Company’s Board of Directors upon a proposal of the Compliance Unit, elaborating upon the Internal Regulations for Conduct in the Securities Market (the “Internal Regulations for Conduct”), article 9.4.c) of which provides that security measures shall be established for the custody, filing, access, reproduction, and distribution of Inside Information, as such term is defined in such Internal Regulations for Conduct.

To such end, these Rules establish the rules governing the management, control, and internal and external transmission of Inside Information, whatever the location, format, supporting media, or means of transmission thereof, in order to protect the interests of shareholders and investors and to prevent and avoid any instances of misuse.

Preliminary Title

Article 1. Definitions

Capitalised terms used in these Rules and not expressly defined shall have the meaning ascribed to them in the Internal Regulations for Conduct.

For purposes of these Rules, the following terms shall have the meaning ascribed below:

a) Director of the Area: means the director of the Area responsible for coordinating the work or transaction to which the Inside Information refers and for keeping custody of such information.

b) Guide: the Guide to Protecting Inside and Confidential Information prepared by the Company’s Finance and Resources Division, which shall apply in the alternative to all matters not expressly contemplated by these Rules.

c) Insiders: the persons defined as such in the Internal Regulations for Conduct, including, for these purposes, External Recipients.

d) Authorised Persons: means, within the context of a specific transaction, internal process, or activity in which Inside Information is received, generated, or accessed, the group of Affected Persons and/or Insiders that are authorised to access such information.

e) External Recipients: means those persons who are not employees or directors of the companies within the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), that need to know the Inside Information in order to be able to provide their professional services (for example, to give advice on or analyse a transaction) or to carry out transactions with the Group (for example, to finance a transaction), who shall not be required to comply with these Rules except for the provisions of article 10.4.b) hereof.

Article 2. Purpose

The purpose of these Rules is to establish the rules and procedures of the Company for the internal processing of Inside Information and the transmission thereof to third parties unrelated to the Group, in order to protect the interests of shareholders and investors and to prevent and avoid any instances of misuse. All of the foregoing shall be without prejudice to the provisions of the Guide, which shall apply in the alternative to all matters not expressly contemplated by these Rules.

Article 3. Scope

1. These Rules apply to all of the companies within the Group, including the companies in which the Group has an interest and exercises effective control, within the limits established by applicable regulations upon the regulated activities carried out by the Group in the various countries in which it is present.

2. Listed companies belonging to the Group that have corporate governance rules similar to those of the Company, as well as with the subsidiaries thereof, shall be excluded from the scope of these Rules.

Article 4. Dissemination

These Rules shall be communicated to and disseminated among Affected Persons and Insiders in accordance with the plan designed by the Unit for such purpose, and such Affected Persons and Insiders shall be required to be aware thereof and to comply therewith.

Article 5. Duties of Affected Persons and Insiders in Connection with Inside Information

Affected Persons who have Inside Information, and any Insiders, shall be required to:
a) Safeguard the confidentiality of the Inside Information to which they have access, without prejudice to their duties of communication and cooperation with court and administrative authorities under the terms set forth in the MAR and other applicable legal provisions.

b) Adopt adequate measures to prevent the Inside Information from being misused or abused.

c) Give immediate notice to the Unit of any misuse or abuse of Inside Information of which they are aware.

Article 6. Interpretation

1. These Rules shall be interpreted in accordance with the legal provisions applicable to the Group and the provisions set forth in the Company’s Corporate Governance System, and especially those contained in the Internal Regulations for Conduct.

2. The Unit shall be responsible for responding to any inquiries or concerns that may arise in connection with the content, interpretation, and application of or compliance with these Rules.

**TITLE I. RULES AND PROCEDURES FOR THE PROCESSING AND INTERNAL AND EXTERNAL TRANSMISSION OF INSIDE INFORMATION**

**Article 7. Procedure for Determining the Inside Nature of the Information**

The Director of the Area responsible for coordinating the work or transaction to which the information that may qualify as Inside Information refers shall be charged with determining the inside nature thereof. For such purposes:

a) The Director of the Area responsible for coordinating any internal process that entails access to information susceptible of being considered Inside Information or any legal or financial transaction being studied or negotiated in which such information is received or generated, must engage in an analysis thereof in order to verify whether it has the characteristics to be considered Inside Information, and if so, shall declare the inside nature thereof.

b) If the Director of the Area effectively determines that it is Inside Information, the processing and transmission of the information must be in accordance with the provisions of these Rules. The Director of the Area must also, as soon as practicable, inform the Unit, through the director thereof, that there is an internal process or a project in which Inside Information is going to be received, generated, or handled, and that appropriate measures have been adopted in order to safeguard the confidentiality thereof.

c) In any event, the Director of the Area may consult with the Unit in those instances in which it cannot clearly be determined whether or not the information in question is Inside Information.

d) Without prejudice to the foregoing, the Unit may, at any time, request the Director of the Area to provide additional information regarding a specific project, as well as revoke, if appropriate, the status given to the information by the Director of the Area if the Unit concludes that it is not Inside Information, in which case the Unit must provide a duly substantiated decision and explain in writing to the Director of the Area the reasons for the divergence.

**Article 8. Authorisation for Access**

1. The Director of the Area shall be responsible for authorising or denying access to the Inside Information, and authorisation shall only be granted to those persons whose access is indispensable because of their work.

2. The authorisations granted shall be revised at such intervals as the Unit determines in order to ensure that there is no person who, beyond a reasonable period (which must be the minimum possible period), is authorised to access Inside Information without a justified need to hold authorisation for access thereto.

**Article 9. Register of Insiders**

The Director of the Area or the person acting by delegation therefrom must adopt the measures required in order for all persons accessing Inside Information to be duly included in a Register of Insiders, in accordance with the provisions of the Internal Regulations for Conduct.

**Article 10. Management of Confidential Documents**

1. Code name: the responsible Area shall assign a code name to each transaction in which Inside Information is received or generated. This name shall be used in all communications relating to the transaction, such that neither the parties involved therein nor the characteristics thereof may be identified.

2. Marking or labelling: confidential documents must be marked “CONFIDENTIAL” on the cover page and on each of the other pages, and must also include the date of issuance thereof.

3. Use, control of access, and storage
a) General principle
Access to confidential documents, regardless of the format, media, and storage location thereof, must be restricted to Authorised Persons.

Systems administrators, systems technical staff, and the staff of other auxiliary services must be subject, to the maximum possible extent, to restrictions on the possibility of access to equipment or locations in which Inside Information is stored. In the event that access by any of the aforementioned persons is essential, the number of persons entitled to access must be kept to the minimum required, any such access must be recorded, and, in the case of a service provider from outside the Group, the service agreement must include clauses ensuring the confidentiality of any Inside Information to which access may have been gained during the provision of the service.

b) Documents in electronic format
Authorised Persons must use sites on the internal restricted access network for the temporary or permanent deposit of confidential documents to which only such persons may gain access. As regards e-mails containing Inside Information or having attachments with Inside Information, it is recommended to delete them from mailboxes and to save them within sites on the internal restricted access network. In no event shall memory sticks or USB drives be used to store or transmit Inside Information.

Confidential documents in electronic format must be encrypted. In this regard, a document may be deemed encrypted if the media or location in which it is contained is encrypted.

In addition, Authorised Persons shall take the utmost care to prevent unauthorised persons from seeing confidential documents while Authorised Persons are working with such documents on a computer. Confidential documents must be printed on local printers or printers that require the use of a password located in limited access zones, and must be collected immediately after the printing thereof. In the event that a unit of equipment containing Inside Information must undergo repair or maintenance work and such work is performed at the workstation itself, the user of the equipment must be present while such work is carried out. If the aforementioned work requires the removal of the equipment but does not affect the memory unit on which the data are stored, it must be removed and left in the custody of the user, who must store it under lock and key. On the other hand, if the aforementioned work requires the removal of the equipment and requires or may require any action on the memory unit on which the data are stored, the equipment may only be removed with the express authorisation of the Director of the Area. Whenever possible, any Inside Information contained in the memory of the equipment must be deleted prior to the removal (see section 5 below).

c) Paper documents
Authorised Persons shall store confidential documents in a safe place when they are away from their workstation.

To the extent possible, Authorised Persons shall avoid placing confidential documents on meeting-tables or in meeting rooms, and must store such confidential documents in restricted access locations (such as offices and file rooms) and keep them in file cabinets (which, as a general rule, must be kept locked), the keys or combinations for access to which shall exclusively be available to such persons. If a risk of copies of keys or access codes is detected, such keys or codes must be replaced or changed.

d) Use during travel and in public places/on public transport
When Authorised Persons travel with confidential documents (both in electronic and paper format), they shall take the utmost care in public places and on public transport (airports, airplanes, trains, taxis, etc.) to avoid the forgetting, misplacement, or theft of confidential documents and to prevent any unauthorised persons accidentally or deliberately seeing the content thereof.

In particular, Authorised Persons must keep confidential documents under their control at all times, and must avoid storing them in luggage that is to be checked, leaving them inside a vehicle (even if such vehicle is kept locked), or in a hotel room when they leave it. If it is essential to leave confidential documents in a hotel, the safe must be used.

4. Copies, distribution, and transmission
a) General rules
The making of copies of confidential documents is prohibited, unless the Director of the Area grants prior express authorisation for the delivery of such copies to an Authorised Person. The recipients of the cop-
ies must be warned of the prohibition against making subsequent copies. Only Authorised Persons may make copies of confidential documents. Copies of a confidential document shall be subject to the same protection and control requirements as the original.
The internal or external distribution or transmission of Inside Information shall be carried out with the prior express authorisation of the Director of the Area.
The area in charge of coordinating the work or transaction to which Inside Information refers shall, as the area responsible for the custody thereof, establish a mechanism (whether manual or automated) for the control of the copying, distribution, and transmission of Inside Information, such that the traceability thereof may be ensured, i.e. that each copy made of a confidential document, the person responsible for it, the copies made of it, and the person responsible for each copy, can be identified.
In addition, when justified and feasible in the opinion of the Unit, mechanisms shall be established to enable the detection of leaks or the unauthorised sending of Inside Information, which mechanisms shall be designed to facilitate a subsequent audit of procedures allowing for the discovery of the source of the leak.
— Specific measures for documents in electronic format
Authorised Persons shall use safe channels (encrypted mail, VPN, secure FTP, etc.) for the distribution of confidential documents in electronic format and, in particular, sites on the internal network that are not under restricted access shall not be used for such purpose.
When electronic media are distributed, the measures set forth in the next point shall apply and, in addition, the content thereof shall be encrypted.
— Specific measures for paper documents
Confidential documents on printed paper must be transmitted in a sealed envelope bearing the name of the Authorised Person who is the recipient and marked such that the nature of the information contained therein is clear (for example, "CONFIDENTIAL INFORMATION"). The envelope must be a single-use envelope and of a type that allows the detection of any unauthorised opening. Moreover, an e-mail must be sent to the recipient stating that information will be sent thereto, without indicating the nature of such information, and the recipient shall be required to send a reply e-mail when receipt has effectively taken place. Confidential documents containing Inside Information must be collected and delivered by hand, such that they must not be deposited in trays or on the recipient’s desk when not present.
When documents are sent out, whether to other Company buildings or otherwise, the confidential documents shall be carried by authorised personnel and in compliance with security measures sufficient to ensure their safe carriage. If documents are sent to a location outside of the Company, they must be sent through a courier and a delivery receipt must be obtained. In any event, records must be kept of incoming and outgoing items in connection with documents so sent.
During the delivery process, the confidential documents must be stored in places that satisfy the access and storage requirements described above. In the event of loss or theft, immediate notice must be given to the issuer.
The use of fax machines as a means of transmission of Inside Information must be avoided. If the use thereof is essential, notice must be given to the recipient at the time of the transmission in order to ensure that the recipient collects the document at the same time it is printed at destination.
b) Additional provisions governing the transmission of Inside Information to third parties
Without prejudice to the rules and procedures described in the preceding sections of these Rules, the transmission of Inside Information to External Recipients must be restricted to those instances in which such transmission is essential in the opinion of the Director of the Area, and it shall particularly comply with the provisions of this section:
— Inside Information shall be transmitted to External Recipients as late as possible in given nature of the transaction in question.
— Prior to the transmission of any Inside Information, the External Recipients must sign a confidentiality undertaking with the Company unless the External Recipient is subject to legal or contractual rules that contain a duty of confidentiality. In any event, External Recipients shall be informed of and must state, at a minimum, that they are aware of: (i) the confidential nature of the information transmitted,
(ii) the obligations stemming from the legal provisions applicable to the Inside Information, and (iii) the consequences of violating such legal provisions, and that (iv) they have the means required to ensure the confidential nature of the Inside Information. They shall also be informed of their inclusion in the Register of Insiders.

The signing of such confidentiality undertaking shall also be required of those External Recipients with whom contact is made at a preliminary phase and to whom the general outline of a transaction is presented in order to request financing offers or advice, even if they do not ultimately participate in such transaction.

— In the event that Inside Information is transmitted to one or more External Recipients belonging to the same firm or entity, the confidentiality undertaking mentioned in the preceding section must be executed with the respective firm or entity, and shall equally bind all of the members of the organisation who come to know the Inside Information. In such cases, the prior express authorisation of the Director of the Area shall not be required in order to transmit the Inside Information internally to the members of the organisation that need to know it. Additionally, in the instances contemplated in the preceding section, the internal processing of the Inside Information shall be subject to the provisions established for such purpose by the organisations to which the External Recipients belong.

— The content and implications of the confidentiality undertaking must be explained orally in a clear and concise manner in the case of External Recipients that may not be acquainted with the applicable legal provisions.

— In any event, the transmission of Inside Information by an External Recipient shall require the prior written authorisation of the Director of the Area and the signing by the second External Recipient of an equivalent confidentiality undertaking.

— The Unit may condition the electronic transmission of Inside Information to External Recipients on the encryption of the confidential documents through any computerised procedure whereby access to the Inside Information by External Recipients is restricted.

5. Disposal: Authorised Persons who have had access to Inside Information must destroy any media containing such information at the time it ceases to be useful, unless there is a legal or business requirement that justifies the retention thereof. In this regard, it must be borne in mind that not only the final versions of the confidential documents must be destroyed but also all drafts, copies, excerpts, and other working documents containing Inside Information.

When justified and feasible in the opinion of the Unit, confidential documents in electronic format must be disposed of by using a deletion tool that ensures that the deleted information is irretrievable. In the particular case that a computer of the Group (which contains or contained Inside Information) is removed or discontinued from use or the internal memory or any other data storage device is replaced, it must be destroyed such that the information stored cannot be retrieved.

Confidential documents in paper format shall be destroyed by the means established by the Company for such purpose, consisting of paper-shredding machines (for small amounts of documentation) and of a centralised service for the mass destruction of documents (for large volumes).

The destruction of confidential documents shall be carried out exclusively by Authorised Persons; in particular, the destruction of confidential documents shall not be entrusted to persons who are not authorised to have access thereto. In the event that persons from outside the Company (for instance, companies specialising in document destruction in the case of the destruction of large volumes of documentation) participate in the documentation destruction process, the service contracts must include clauses safeguarding the confidentiality of the Inside Information to which such external agents may have had access during the destruction process. In addition, such external agents shall be required to issue a certificate evidencing the destruction of the confidential documents.

Article 11. Protection of Conversations

1. No matters relating to Inside Information shall be discussed in conversations with persons that are not authorised to access such information or in environments or under conditions where conversations may be heard by unauthorised persons.
2. Conversations in which Inside Information is discussed shall be held in rooms ensuring appropriate acoustic and visual isolation. Such rooms shall be locked from the inside in order to avoid unforeseen disruptions by unauthorised persons.

3. The discussion of Inside Information in telephone conversations shall be avoided to the extent possible. Any telephone conversation in which Inside Information is discussed must be held by using digital or mobile telephones at both ends. It should be borne in mind that voice mail systems can be tampered with. Hence, certain precautions need to be taken when using such systems:
   a) Change the voice mail system default access code.
   b) Never leave voice messages containing or relating to Inside Information.

4. In video-conferences or audio-conferences in which Inside Information is discussed, only the equipment provided by the Company for such purpose shall be used. The provisions of the preceding section 2 shall also apply thereto.

**TITLE II. ACTION PROTOCOL IN THE EVENT OF A LEAK OR UNLAWFUL USE OF INSIDE INFORMATION**

**Article 12. Action Protocol in the Event of a Leak or Unlawful Use of Inside Information**

In the event that any Authorised Person detects a possible leak or an instance of unlawful use of Inside Information, action shall be taken as provided below:

a) The reporting party shall, as soon as possible, give notice of the leak or unlawful use of Inside Information of which the party has become aware to the Unit through its chair or, in the absence thereof, through the director or secretary of the Unit. For such purposes, the Unit shall establish safe channels for the reporting of leaks or instances of unlawful use of Inside Information, and shall endeavour to ensure the utmost degree of protection of the identity of the reporting party.

b) The Unit shall analyse and verify the truthfulness of the information provided by the reporting party, for which purpose it may request such additional data and information as it deems necessary from the Finance and Resources Division and from any other Division of the Company.

c) If the reported information is found to be true and if the leak or unlawful use of Inside Information is attributable to a member of the Board of Directors of the Company, the Unit shall give notice thereof to the secretary of the Board of Directors, who shall adopt the appropriate measures in accordance with the Company’s Corporate Governance System and the provisions of applicable law.

d) On the other hand, if the leak or unlawful use of Inside Information is attributable to an employee of the Group, the Unit shall give notice thereof to the Finance and Resources Division, which shall adopt disciplinary measures pursuant to the rules on infringements and penalties contemplated in the Collective Bargaining Agreement applicable to the company of the Group to which such employee belongs or otherwise contemplated in applicable labour laws. The Unit shall also give notice to the Company’s Legal Affairs Division, which shall evaluate whether any legal actions should be instituted against the employee responsible for the leak or unlawful use of Inside Information under applicable law at any time.

e) Finally, in the event that, once the truthfulness of the reported information has been verified, the leak or unlawful use of Inside Information is found to be attributable to an External Recipient or to any other person or entity unrelated to the Group, the Unit shall give notice thereof to the Company’s Legal Affairs Division in order to determine the adoption of any appropriate measures regarding the person or entity responsible for the leak or unlawful use of Inside Information.

f) Without prejudice to the foregoing, when a leak or unlawful use of Inside Information reaches the market, such that news or rumours are generated regarding an item of Inside Information that has not been previously communicated to the CNMV or unusual changes occur in the volumes traded in or the prices negotiated for the Affected Securities, the provisions set forth in the **Action Protocol for the Management of News and Rumours** shall also apply.
V. Summary of the Action Protocol for Investigating Possible Unlawful Uses of Inside Information

3 July 2016

The Action Protocol for Investigating Possible Unlawful Uses of Inside Information (the “Protocol”) forms part of the Corporate Governance System of IBERDROLA, S.A. (the “Company”) and is approved, upon a proposal of the Compliance Unit, by the Board of Directors of the Company elaborating upon the Internal Rules for the Processing of Inside Information, according to which, in the event that a possible leak or an instance of unlawful use of Inside Information, as this term is defined in the Internal Regulations for Conduct in the Securities Markets, is reported to the Compliance Unit, it must analyse and verify the truthfulness of the information provided by the reporting party.

The Protocol establishes a set of rules and guidelines for conduct aimed at the Compliance Unit concerning the procedure for analysing the truthfulness of reported possible unlawful uses of Inside Information by employees of the Iberdrola group, as well as the general rules to be followed in the investigation and verification activities carried out by the Compliance Unit in order to safeguard the rights of employees under investigation, all in further development of article 12 of the Internal Rules for the Processing of Inside Information.
VI. Action Protocol for the Management of News and Rumours

3 July 2016

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Preamble

This Action Protocol for the Management of News and Rumours (the “Protocol”) forms part of the Corporate Governance System of IBERDROLA, S.A. (the “Company”) and is approved by the Board of Directors of the Company upon a proposal of the Compliance Unit, in further development of the Internal Regulations for Conduct in the Securities Markets (the “Internal Regulations for Conduct”), section 9.4.d) of which provides that there must be monitoring of the market performance of Affected Securities (as defined in such Internal Regulations for Conduct) as well as the News regarding them issued by professional broadcasters of financial information and the media, and which shall be the responsibility of the Company’s Finance and Resources Division in coordination with the Compliance Unit.

For such purpose, this Protocol sets forth the rules and guidelines for the monitoring, management, analysis, and control of information, whether News or Rumours, disseminated about the Company or any of the companies within the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), or about Affected Securities, without the prior publication of a respective notice of Significant Event (Hecho Relevante), as well as the market performance of the listing prices and trading volume of Affected Securities, all in order to protect the interests of shareholders and investors and to prevent and avoid any market manipulation.

PRELIMINARY TITLE

Article 1. Definitions

Capitalised terms used in this Protocol and not expressly defined herein shall have the meaning ascribed therein in the Internal Regulations for Conduct.

For purposes of this Protocol, the following terms shall have the meaning ascribed below:

a) Leak: premature, partial, or distorted disclosure to the market of Inside Information, regardless of whether or not such information is known by the Group company to which it pertains.

b) Significant Event: a notice sent by the Company to the CNMV for immediate publication and dissemination to the market of Inside Information.

c) News: information disseminated by the media regarding the Company, the Group, or Affected Securities that could have an impact on the listing prices thereof.

d) Rumour: speculation disseminated to the market regarding the Company, the Group, or Affected Securities, without identified author or provenance, that could have an impact on the listing prices thereof.

Article 2. Purpose

The purpose of this Protocol is to establish the Company’s general framework of action for dealing with News and Rumours disseminated to the market.

Article 3. Scope

1. This Protocol applies to all News and Rumours disseminated to the market.

2. In order to provide for better compliance with the provisions of this Protocol, the Unit shall establish appropriate mechanisms for the coordination and exchange of information with the compliance units or divisions of the Group’s listed companies that have corporate governance regulations similar to those of the Company.

Article 4. Dissemination

This Protocol shall be communicated to and disseminated among the members of the Unit, the Finance and Resources Division, and the Office of the Secretary of the Board of Directors, who shall be required to know it and comply with it.

Article 5. Interpretation

1. This Protocol shall be interpreted in accordance with the law applicable to the Group, the provisions set forth in the internal regulations approved by the Group, and, specifically, the provisions of the Internal Regulations for Conduct.

2. The Unit shall resolve any questions or concerns that may arise in connection with the content, interpretation, or application of or compliance with this Protocol.
TITLE I. RULES OF CONDUCT

Article 6. Ongoing Monitoring and Tracking of News and Rumours and of the Listing Price of Affected Securities

1. It is the responsibility of the Company’s Finance and Resources Division to perform ongoing monitoring and tracking of the prices and trading volumes of Affected Securities, Rumours that may be disseminated to the market, and News issued by professional broadcasters of financial information and the media of which the Company should reasonably be aware, particularly during the stages of analysis or negotiation of any transaction that could have a material influence on the listing prices of the Affected Securities.

To such end, the Finance and Resources Division shall establish the required coordination mechanisms with the Corporate Communications Division in order to have permanent access to such News.

2. The Finance and Resources Division shall report to the Unit, whenever requested thereby, regarding its ongoing monitoring and tracking of the market performance of prices and trading volumes of the Affected Securities and of the Rumours and News disseminated to the market.


1. In the event that the Finance and Resources Division becomes aware of the existence of News or a Rumour relating to information not previously communicated by the Company to the CNMV by means of a notice of a corresponding Significant Event, the Finance and Resources Division shall analyse the significance of the disseminated information in accordance with the standards it deems appropriate in each case.

To such end, the Finance and Resources Division shall, without limitation, take into account the impact that the actual materialisation of the content of the News or Rumour could have on the accounting or financial indicators of the Company or its Group and on the listing price of the Affected Securities, and changes in the listing price of the Affected Securities as a result of the News or Rumour.

In particular, in those cases in which the News or Rumour is disseminated during a trading session, special attention shall be paid to changes in the traded volumes and the listing prices of the Affected Securities in order to determine the significance of the disseminated information.

In addition, the Finance and Resources Division shall analyse the truthfulness of the News or Rumour, for which purpose it will carry out, in coordination with the Unit, all internal investigation and consultation activities that it deems appropriate for such purpose.

2. Following the required reviews of significance and truthfulness, the Finance and Resources Division shall proceed as follows:

a) If it determines that the information disseminated to the market is significant and truthful, the Finance and Resources Division shall contact the Secondary Markets Department of the CNMV in order to evaluate the need, if appropriate, to publish a notice of a Significant Event in order to provide clear and precise information regarding the facts to which the disseminated News or Rumour refers.

The Finance and Resources Division shall also evaluate the possibility of delaying publication and dissemination of Inside Information if it could impair the legitimate interests of the Company, pursuant to the provisions of law and the Internal Regulations for Conduct.

b) Whenever it deems the information disseminated to the market to be significant but lacking sufficient elements to determine the truthfulness thereof (for instance, because it is information stated by, or relating to, third parties not related to the Company and beyond its control), the Finance and Resources Division shall consider the possibility of asking the CNMV to take the necessary actions to verify and investigate the News or Rumour in order that the CNMV itself, or the appropriate person, may publicly express a clear, full, and precise opinion regarding the News or Rumour.

c) If it determines that the information disseminated to the market is insignificant or untrue, the Finance and Resources Division may take the necessary measures to deny, if appropriate, those untrue News and Rumours that could impair the interests of shareholders and investors.

3. The Finance and Resources Division shall report to the Unit the result of the analysis of the News or Rumours, along with any measures it may have adopted pursuant to this Protocol, in order for the Unit to be able to evaluate the advisability of taking any additional actions.

4. Without prejudice to the provisions of this Protocol, the Board of Directors may take any actions it deems appropriate to protect the corporate interest against the dissemination of Rumours that could affect the normal business operations of the Company or the value of the shares.

1. In the event that the Finance and Resources Division notices unusual changes in the listing prices or traded volumes of Affected Securities, it shall as soon as possible report such circumstance to the chair of the Unit or, in the absence thereof, to the director or the secretary of the Unit.

2. The Finance and Resources Division shall analyse whether there are rational indications that such changes are the consequence of a Leak, and shall report its conclusions to the Unit, which shall act as follows:
   a) If it establishes that there are indications of a Leak, the Unit shall take the relevant actions and measures pursuant to the Internal Rules for the Processing of Inside Information.
   b) If it does not establish that there are indications of a Leak, the Unit may implement any initiatives it deems appropriate in light of the possible causes of the unusual changes in the listing price or the traded volumes of the Affected Securities.
VII. Procedure for Conflicts of Interest and Related-Party Transactions With Senior Officers

19 December 2017

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Article 1. Purpose
1. The Procedure for Conflicts of Interest and Related-Party Transactions with Senior Officers (the “Procedure”), which forms part of the Corporate Governance System of IBERDROLA, S.A. (the “Company”) is aimed at establishing the rules that must be followed in those situations in which there is a direct or indirect conflict of interest between the interest of the Company or any of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”) and the interest of the senior officers of the Company or of other persons that the Compliance Unit decides to make subject to the conflict of interest rules or the persons related thereto (“Conflicts of Interest”), as well as in transactions that said persons engage in with the companies of the Group (“Related-Party Transactions”).

2. The provisions of this Procedure shall prevail over the provisions of the Code of Ethics in the event of conflict therewith.

Article 2. Definitions
For purposes of this rule, the following terms shall have the meaning set forth below:

1. Persons subject to conflict of interest rules:
   a) Senior officers, i.e. officers reporting directly to the Company’s Board of Directors, the chairman thereof or the chief executive officer of the Company, and, in any event, the director of the Internal Audit Area, as well as any other officer that the Board of Directors regards as such.
   b) Those persons designated by the Company’s Compliance Unit (the “Unit”) in view of the possibility of their being involved in potential Conflicts of Interest considering the duties they perform within the Company or its Group. The Unit shall notify them of their status as persons subject to conflict of interest rules and shall also communicate the identity thereof to the Human Resources Division.

2. Related persons of persons subject to conflict of interest rules:
   a) A spouse or other person related by a like relationship of affection.
   b) The ascendants, descendants, or siblings of the persons subject to conflict of interest rules or of the spouse or the spouse thereof (or of another person related by a like relationship of affection).
   c) The spouses of the ascendants, descendants and siblings of the persons subject to conflict of interest rules.
   d) The companies or entities in which the person subject to conflict of interest rules or any of their related persons, acting personally or through a nominee, falls within any of the control situations established by applicable legal provisions.
   e) The companies or entities in which persons subject to conflict of interest rules or any of their related persons, acting personally or through a nominee, hold an administrative or management position or a position for which they receive remuneration for any reason, provided, in addition, that they also exercise, directly or indirectly, a significant influence on the financial and operational decisions of such companies or entities.

Article 3. Conflicts of Interest
A Conflict of Interest shall be deemed to exist in all those situations in which there is a conflict, whether direct or indirect, between the interest of the Company or of the companies forming part of the Group with the particular interest of the person subject to conflict of interest rules.

Article 4. Related-Party Transactions
1. The Related-Party Transactions that are subject to the provisions of this Procedure are all transfers of resources, services or obligations, regardless of whether or not they are made for valuable consideration, carried out by any of the persons subject to conflict of interest rules or the persons related thereto with the Company or with any of the companies within its Group.

2. The execution of a Related-Party Transaction is in any event a Conflict of Interest to which the provisions of this Procedure shall apply.

3. Related-Party Transactions with listed companies of the Group or with the subsidiaries thereof shall be excluded from the scope of this Procedure, provided that they have corporate governance rules similar to those of the Company governing these kinds of transactions.

Article 5. Duty to Report Conflicts of Interest to the Director of the Unit
1. If a person subject to conflict of interest rules becomes aware that they are involved in a situation of Conflict of Interest (either directly or indirectly through a related person), said person must provide written notice
thereof as soon as possible to said person’s supervisor, who shall forward said notice to the director of the Unit.

2. If the Conflict of Interest involves a senior officer of the Company (either directly or indirectly through a related person), the notice mentioned in the preceding section must be sent to the director of the Unit.

3. The notice shall contain a description of the situation giving rise to the Conflict of Interest, with a statement as to whether it is a direct conflict or an indirect conflict through a related person, in which case the latter person must be identified.

4. The description of the situation must describe, as applicable, the subject matter and the principal terms of the transaction or the planned decision, including the amount thereof or an approximate financial assessment thereof. If the situation giving rise to the Conflict of Interest is a Related-Party Transaction, the notice shall also identify the department or person of the Company or of any of the companies of the Group involved therein.

5. If the conflict arises from an operation, transaction or circumstance that requires any kind of execution, decision-making or acceptance, the person subject to conflicts of interest rules must refrain from taking any action until the Unit studies the case and adopts and informs said person of the appropriate decision.

6. Any concern as to whether the person subject to conflict of interest rules might be involved in a Conflict of Interest (either directly or indirectly through a related person) must be directed by said person to their supervisor, who shall forward the communication to the director of the Unit. If the Conflict of Interest involves a senior officer of the Company (either directly or indirectly through a related person), the query referred to in this section must be addressed directly to the director of the Unit. Persons subject to conflict of interest rules must also refrain from taking any action until the Unit replies to their query.

Article 6. Duty to Refrain from Participating in Decision-making if there is a Conflict of Interest

1. If the Conflict of Interest arises from an operation or transaction to be approved by any corporate decision-making body, committee or division, the person subject to conflict of interest rules must refrain from participating in the decision-making. If the person subject to conflict of interest rules forms part of said corporate decision-making body, committee or division, said person must also refrain from participating in the deliberations.

2. A person subject to conflict of interest rules must also refrain from accessing confidential information that affects such conflict.

Article 7. Information regarding Conflicts of Interest

1. The Unit shall prepare a register of Conflicts of Interest reported by persons subject to conflict of interest rules, which shall be continuously updated.

2. The information set forth in said register shall have the level of detail sufficient to allow for an understanding of the scope of each of the situations of conflict.

Article 8. Approval of Related-Party Transactions

1. Except as provided in section 5 below, Related-Party Transactions shall be subject in all cases to the approval of the Unit.

2. The Unit shall ensure that Related-Party Transactions are carried out under arm’s length conditions. For such purpose, the Unit may obtain the cooperation of the Finance and Resources Division to analyse the Related-Party Transaction in question, to support it when deciding on approval thereof.

3. In the case of customary or recurring Related-Party Transactions in the ordinary course of business, it shall be sufficient to give a generic prior approval of the kind of transaction and of the conditions for performance thereof.

4. If a Related-Party Transaction entails the successive performance of different transactions, of which the second and subsequent transactions are mere acts of execution of the first transaction, the provisions of this Procedure shall only apply to the first transaction carried out.

5. However, the approval of the Unit shall not be required in connection with transactions that simultaneously satisfy the following three conditions: that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a large number of customers; that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; and that the amount thereof does not exceed one per cent of the consolidated annual turnover.
of the Company as reflected in the audited annual accounts for the most recent financial year closed as of the date of the transaction in question.

**Article 9. Duty to Report Related-Party Transactions to the Unit**

1. Without prejudice to the provisions of the preceding article, and except as expressly permitted by the Unit, persons subject to conflict of interest rules must report in writing the Related-Party Transactions they have engaged in through a notice sent to the director of the Unit. Such notice must be sent on a half-yearly basis, within the first week of January and July of each year.

2. The notice must include the following information, as applicable: the nature of the transaction; the date on which the transaction originated; the conditions and periods for payment; the name of the person who carried out the transaction and the relationship, if any, with the person subject to conflict of interest rules; the amount of the transaction; and any other aspect that allows for a proper assessment of the transaction, such as pricing policies, warranties given and received, and particularly information that allows for verification that it has been made under arm's length conditions.

3. To that end, the director of the Unit shall send a half-yearly notice to the persons subject to conflict of interest rules requesting the appropriate information that must be sent to the Company.

**Article 10. Register of Related-Party Transactions**

1. The Unit shall maintain a register of Related-Party Transactions. The information set forth in such register shall also be made available to the Finance and Resources Division when it so requests, and in any case on a half-yearly basis.

2. The transactions making up the aforementioned register shall be made public in the events and with the intended scope required at any time by applicable legal provisions.

This Procedure was initially approved by the Board of Directors on 29 November 2000 and was last amended on 19 December 2017.