General Shareholders’ Meeting / 2016

Resolutions adopted by the General Shareholders’ Meeting
ITEM NUMBER ONE ON THE AGENDA

Approval of the individual annual accounts of the Company and of the annual accounts of the Company consolidated with those of its subsidiaries for financial year 2015.

RESOLUTION

To approve the individual annual accounts of IBERDROLA, S.A. (balance sheet, profit and loss account, statement of changes in shareholders’ equity, statement of cash flows, and notes) and the annual accounts of the Company consolidated with those of its subsidiaries (consolidated statements of financial position, consolidated statements of profit and loss, consolidated statements of overall profit and loss, consolidated statements of changes in shareholders’ equity, consolidated statements of cash flows, and consolidated notes) for the financial year ended on 31 December 2015, which were finalised by the Board of Directors at its meeting held on 23 February 2016.
ITEM NUMBER TWO ON THE AGENDA

Approval of the individual management reports of the Company and of the management reports of the Company consolidated with those of its subsidiaries for financial year 2015.

RESOLUTION

To approve the individual management report of IBERDROLA, S.A. and the management report of IBERDROLA, S.A. consolidated with that of its subsidiaries for the financial year ended on 31 December 2015, which were finalised by the Board of Directors at its meeting held on 23 February 2016.
ITEM NUMBER THREE ON THE AGENDA

Approval of the management and activities of the Board of Directors during financial year 2015.

RESOLUTION

To approve the management of the Company and the activities of the Board of Directors of IBERDROLA, S.A. during the financial year ended on 31 December 2015.
ITEM NUMBER FOUR ON THE AGENDA

Re-election of Ernst & Young, S.L. as auditor of the Company and of its consolidated group for financial year 2016.

RESOLUTION

To re-elect Ernst & Young, S.L. as auditor of IBERDROLA, S.A. and of its consolidated group to carry out the audit for financial year 2016, authorising the Board of Directors, with express power of substitution, to enter into the respective services agreement, on the terms and conditions it deems appropriate, with authority to make such amendments therein as may be required in accordance with the law applicable at any time.

This resolution is adopted at the proposal of the Board of Directors and upon a prior proposal, in turn, of the Audit and Risk Supervision Committee.

Ernst & Young, S.L. has its registered office in Madrid, at Plaza Pablo Ruiz Picasso, 1, Edificio Torre Picasso, 28020, Tax Identification Number B-78970506. It is registered with the Madrid Commercial Registry at folio 1, volume 1,225, page M-23123, and with the Official Auditors’ Registry (Registro Oficial de Auditores de Cuentas) (ROAC) under number S0530.

It is recalled that, after a tender led by the Audit and Risk Supervision Committee, the Board of Directors resolved on 15 December 2015 to propose to the shareholders at the General Shareholders’ Meeting for financial year 2017 the appointment of KPMG Auditores, S.L. as auditors of the Company for financial years 2017 to 2019.
ITEM NUMBER FIVE ON THE AGENDA

Approval of the proposed allocation of profits/losses and distribution of dividends for financial year 2015.

RESOLUTION

To approve the proposed allocation of profits/losses and distribution of dividends prepared by the Board of Directors at its meeting held on 23 February 2016, which is described below:

To distribute, with a charge to the results for the financial year ended on 31 December 2015, a gross dividend of three euro cents for each share of IBERDROLA, S.A. carrying the right to receive it and that is outstanding on the date that the respective payment is made.

Payment of the aforementioned dividend is planned to be made at the beginning of July 2016.

This dividend will be distributed through the entities members of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR), the Board of Directors being hereby authorised for such purpose, with express power of substitution, to establish the specific date for payment of the dividend, to designate the entity that is to act as paying agent, and to take such other steps as may be required or appropriate for the successful completion of the distribution.

The basis for distribution and the resulting distribution (stated in euros) are as follows:

BASIS FOR DISTRIBUTION:

Balance from prior financial years: 5,470,986,121.67
Profits for financial year 2015: 116,612,892.52
TOTAL: 5,587,599,014.19

DISTRIBUTION:

To legal reserve (minimum amount): -
To dividends (maximum amount to distribute corresponding to a fixed dividend of 0.03 euro (gross) per share for all of the 6,397,197,000 ordinary shares outstanding on the date hereof): 191,915,910.00
To remainder: 5,395,683,104.19
TOTAL: 5,587,599,014.19
ITEM NUMBER SIX ON THE AGENDA

Approval of two increases in share capital by means of scrip issues for two new editions of the “Iberdrola Flexible Dividend” system for the free-of-charge allocation of new shares to the shareholders of the Company in the following amounts: (A) a first increase in share capital by means of a scrip issue at a maximum reference market value of 855 million euros, and (B) a second increase in share capital by means of a scrip issue at a maximum reference market value of 985 million euros. Each of the increases provides for: (i) an offer to the shareholders of the acquisition of their free-of-charge allocation rights at a guaranteed fixed price, and (ii) delegation of powers to the Board of Directors, with express power of substitution, including, among others, the power to set the date on which the increases must be implemented and to amend the article of the By-Laws setting the share capital.

RESOLUTIONS

A.- Approval of a first increase in share capital by means of a scrip issue at a maximum reference market value of 855 million euros.

To increase share capital upon the terms and conditions described in the section “Common Terms and Conditions of Resolutions A and B” below, with a maximum reference market value for the New Shares (as this term is defined in heading 1 below) of 855 million euros.

Pursuant to the provisions of section 297.1.a) of the Companies Act, to delegate to the Board of Directors the power to set the date on which the increase in capital is to be carried out, if at all, and to set the terms and conditions applicable to all matters not included in this resolution, including the powers set out in heading 11 below.

Pursuant to the provisions of section 249.2 of the Companies Act, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

The date on which this increase in capital is expected to be implemented will be close to July 2016.

B.- Approval of a second increase in share capital by means of a scrip issue at a maximum reference market value of 985 million euros.

To increase share capital upon the terms and conditions described in the section “Common Terms and Conditions of Resolutions A and B” below, with a maximum reference market value for the New Shares (as this term is defined in heading 1 below) of 985 million euros.

Pursuant to the provisions of section 297.1.a) of the Companies Act, to delegate to the Board of Directors the power to set the date on which the increase in capital is to be carried out, if at all, and to set the terms and conditions applicable to all matters not included in this resolution, including the powers set out in heading 11 below.

Pursuant to the provisions of section 249.2 of the Companies Act, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

The date on which this increase in capital is expected to be implemented will be close to the months of December 2016 or January 2017.

Common Terms and Conditions of Resolutions A and B.

1. Principal Characteristics of the Two Increases in Capital

The amount of each of the two increases in capital (the “Increases in Capital”) being submitted to the shareholders for approval at the General Shareholders’ Meeting in A and B above will be the amount resulting from multiplying: (a) the nominal value of each share of IBERDROLA, S.A. (the “Company”), equal to seventy-five euro cents, by (b) the total determinable number of new shares of the Company to be issued, in accordance with the formula
set forth in section 2 below, on the date of implementation of each of the Increases in Capital (the new shares of the Company issued by way of implementation of the Increases in Capital shall be collectively referred to as the "New Shares", and each one, individually, as a "New Share").

The sum of the market reference value of the New Shares corresponding to each of the Increases in Capital may not exceed the maximum market reference values indicated in A and B above.

Both Increases in Capital will be carried out, if at all, by means of the issuance and flotation, on their respective dates of implementation, of the New Shares, which will be ordinary shares having a nominal value of seventy-five euro cents each, of the same class and series as those currently outstanding, represented by book entries.

The Increases in Capital will be entirely carried out with a charge to the reserves contemplated in section 303.1 of the Companies Act. When implementing each of the Increases in Capital, the Board of Directors, with express power of substitution, will determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

The New Shares will be issued at par, i.e. at their nominal value of seventy-five euro cents, without a share premium, and will be allocated to the shareholders of the Company without charge.

Within the year following the date of approval of this resolution, each of the Increases in Capital may be implemented by the Board of Directors, with express power of substitution, at its sole discretion, and therefore without having to once again obtain the approval of the shareholders at a General Shareholders' Meeting, and by taking into consideration the legal and financial conditions existing at the time of implementing each of the Increases in Capital, in order to offer the Company's shareholders a flexible and efficient compensation formula.

Pursuant to the provisions of section 311 of the Companies Act, the possibility of an incomplete allocation of the Increases in Capital is contemplated in the event that the Company, a company within its group, or a third party waives all or part of the free-of-charge allocation rights to which they are entitled at the time of implementation of each of the Increases in Capital, for which reason, in the event of such waiver, the share capital will be increased by the corresponding amount.

2. New Shares to Be Issued in each of the Increases in Capital

The number of New Shares to be issued in each of the Increases in Capital will be the number resulting from the application of the following formula, with the resulting number being rounded to the next lower integer:

\[ NNS = \frac{TNShrs.}{Num. \ rights} \]

where:

\[ NNS = \text{Number of New Shares to be issued within the framework of the relevant Increase in Capital}; \]

\[ TNShrs. = \text{Number of shares of the Company outstanding on the date that the Board of Directors, with express power of substitution, resolves to implement the relevant Increase in Capital}; \]

\[ Num. \ rights = \text{Number of free-of-charge allocation rights required for the allocation of one New Share within the framework of the relevant Increase in Capital, which number will result from the application of the following formula, with the result being rounded to the next higher integer}: \]

\[ \text{Num. rights} = \frac{TNShrs.}{Provisional \ number \ of \ shares} \]

where:

\[ \text{Provisional number of shares} = \frac{\text{Amount of the Option}}{\text{ListPri.}} \]

For these purposes, "Amount of the Option" will mean the maximum reference market value of the relevant Increase in Capital to be set by the Board of Directors, with express power of substitution, and which will not be greater than the amount referred to in A and B above (i.e. 855 and 985 euros, respectively).
For its part, “ListPri” will be the arithmetic mean of the average weighted listing prices of the Company's shares on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges through the Automated Quotation System (Sistema de Interconexión Bursátil) (Continuous Market) during the five trading sessions prior to the relevant resolution adopted by the Board of Directors (with express power of substitution) which determines the number of free-of-charge allocation rights needed for the allocation of one New Share in the relevant Increase in Capital, as well as the respective Purchase Price (as such term is defined below), rounded to the closest one-thousandth part of one euro.

3. Free-of-charge Allocation Rights

In each of the Increases in Capital, each outstanding share of the Company will grant its holder one free-of-charge allocation right.

The number of free-of-charge allocation rights required to receive one New Share in each of the Increases in Capital will be automatically determined according to the ratio existing between the number of outstanding shares of the Company on the date of implementation of the relevant Increase in Capital (TNShrs.) and the provisional number of New Shares, calculated by using the formula contained in section 2 above. Specifically, the holders of free-of-charge allocation rights will be entitled to receive one New Share for the number of free-of-charge allocation rights held by them, which will be determined as provided in section 2 above (Num. rights).

In the event that the number of free-of-charge allocation rights required for the allocation of one New Share (Num. rights) multiplied by the number of New Shares to be issued (NNS) results in a number that is lower than the number of outstanding shares of the Company on the date of implementation of the corresponding Increase in Capital (TNShrs.), the Company (or such entity within its group, if any, as holds shares of the Company) will waive a number of free-of-charge allocation rights equal to the difference between both figures for the sole purpose that the number of New Shares be a whole number and not a fraction.

The free-of-charge allocation rights will be allocated to those who are registered as being entitled thereto in the book-entry records of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR) on the relevant date in accordance with applicable law.

The free-of-charge allocation rights will be transferable upon the same terms as the shares from which they derive. The free-of-charge allocation rights may be traded on the market during such term as is established by the Board of Directors (with express power of substitution) in implementing the relevant Increase in Capital, which term will not be less than fifteen calendar days. During such term, a sufficient number of free-of-charge allocation rights may be acquired on the market in the proportion required to receive New Shares.

4. Irrevocable Commitment to Purchase the Free-of-charge Allocation Rights

At the time of implementation of each of the Increases in Capital, the Company will assume an irrevocable commitment to purchase the free-of-charge allocation rights at the price set forth below (the “Purchase Commitment”) on the terms and conditions described below.

The Purchase Commitment corresponding to each of the Increases in Capital will be in effect and may be accepted during such term, within the period for trading the rights, as is established by the Board of Directors, with express power of substitution. For such purposes, it is hereby resolved to authorise the Company to acquire the aforementioned free-of-charge allocation rights up to the maximum limit of the total number of rights issued in each of the Increases in Capital, with the observance of legal restrictions in any case.

The object of the Purchase Commitment assumed by the Company will be such as is determined by the Board of Directors in each of the Increases in Capital, in exercise of the powers delegated thereto by the shareholders at the General Shareholders’ Meeting, with express power of substitution, and taking into account market conditions and the corporate interest, based on the following two alternatives:

(a) the free-of-charge allocation rights received by those who are registered as being entitled thereto in the book-entry records of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR) on the relevant date in accordance with applicable law, excluding such rights as have been transferred on the market; or
(b) all of the free-of-charge allocation rights, regardless of whether the holders thereof have received them from the Company without charge because of their status as shareholders at the time of allocation thereof or have acquired them on the market.

The “Purchase Price” with respect to each Increase in Capital will be the fixed price at which the Company will acquire each free-of-charge allocation right under the respective Purchase Commitment and will be calculated in accordance with the following formula, with the resulting number being rounded to the closest one-thousandth part of one euro and, in the case of one-half of one-thousandth of one euro, to the next higher one-thousandth part of one euro:

\[
\text{Purchase Price} = \frac{\text{ListPri}}{(\text{Num. rights} + 1)}
\]

The acquisition by the Company of the free-of-charge allocation rights as a consequence of the Purchase Commitment will be effected with a charge to the reserves contemplated in section 303.1 of the Companies Act.

5. Balance Sheet for the Transaction and Reserve with a Charge to which the Increases in Capital are Carried Out

The balance sheet used as a basis for the two Increases in Capital is the one for the financial year ended 31 December 2015, duly audited and submitted to the shareholders for approval at this General Shareholders’ Meeting under item number one on the agenda.

The Increases in Capital will be entirely carried out with a charge to the reserves contemplated in section 303.1 of the Companies Act. When implementing each of the Increases in Capital, the Board of Directors, with express power of substitution, will determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

6. Representation of the New Shares

The New Shares will be represented by book entries, the book-entry registration of which is entrusted to “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR) and its member entities.

7. Rights Attaching to the New Shares

As from the date on which the relevant Increase in Capital is declared to be subscribed and paid up, the New Shares will grant the holders thereof the same financial, voting, and like rights as the ordinary shares of the Company then outstanding.

8. Shares on Deposit

Once the period for trading the free-of-charge allocation rights during each of the Increases in Capital has ended, the New Shares that could not be allocated for reasons not attributable to the Company will be kept on deposit for those who provide evidence that they are the lawful holders of the corresponding free-of-charge allocation rights. Once three years have passed from the end of each of the periods for trading the free-of-charge allocation rights, the New Shares issued by virtue of the relevant Increase in Capital that are still pending allocation may be sold in accordance with the provisions of section 117 of the Companies Act, at the expense and peril of the interested parties. The cash amount from such sale will be deposited with Banco de España or with Caja General de Depósitos at the disposal of the interested parties.

9. Application for Admission to Trading

The Company will make application for trading the New Shares to be issued as a consequence of each of the Increases in Capital on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges, through the Automated Quotation System (Sistema de Interconexión Bursátil) (Continuous Market), and will carry out such acts and formalities as are required and submit the documents needed to the appropriate bodies for admission to trading of the New Shares issued as a result of each of the approved Increases in Capital, with an express statement for the record of the
Company’s submission to the rules that may now or hereafter exist with respect to Stock Exchange matters, and especially regarding trading, continued trading, and removal from trading on official markets.

A subsequent request for removal from trading of the shares of the Company shall be adopted with the same formalities as apply thereto and, in such event, the interests of the shareholders opposing or not voting on the resolution to remove will be safeguarded, in compliance with the requirements set out in applicable law at such time.

10. Implementation of the Increases in Capital

Within a period of one year from the date of approval of this resolution, the Board of Directors, with express power of substitution, may set the date on which they must be implemented and set the terms and conditions thereof as to all matters not provided for in this resolution (including, in particular, the Amount of the Option corresponding to each of the Increases in Capital).

Notwithstanding the foregoing, if the Board of Directors, with express power of substitution, does not deem it advisable to implement, in whole or in part, one or both of the Increases in Capital within the aforementioned period, it may refrain from implementing them, with the duty to inform the shareholders thereof at the next General Shareholders’ Meeting held.

Specifically, the Board of Directors, with express power of substitution), will analyse and take into account the market conditions, the circumstances of the Company itself, or those deriving from an event that has social or financial significance for the Company, and if these or other factors make it inadvisable, in its opinion, to implement one or both Increases in Capital, it may decide not to implement them. In addition, the resolutions of the shareholders at this General Shareholders’ Meeting relating to each of the Increases in Capital will be deprived of any and all effect in the event that the Board of Directors does not exercise the powers delegated thereto within the period of one year from approval of the resolutions.

Once the period for trading the free-of-charge allocation rights corresponding to each of the Increases in Capital has ended, the following shall apply:

(a) The New Shares will be allocated to those who, according to the book-entry records maintained by “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR) and its member entities, are the holders of free-of-charge allocation rights in the proportion resulting from section 3 above.

(b) The period for trading the free-of-charge allocation rights will be declared to have ended and the appropriation of the account(s) with a charge to which the relevant Increase in Capital will be implemented will be formalised on the books in the respective amount, with which appropriation the Increase in Capital will be paid up.

Likewise, once each of the periods for trading the free-of-charge allocation rights has ended, the Board of Directors, with express power of substitution, will adopt the resolutions required to amend the By-Laws so that they reflect the new amount of the share capital and the number of shares resulting from the implementation of the relevant Increase in Capital, and to make application for trading of the resulting New Shares on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market).


In particular, and by way of example only, the following powers are delegated to the Board of Directors, with express power of substitution:

(a) To set the date on which each of the Increases in Capital must be implemented, which shall in any case be within a period of one year from the approval of this resolution, and to determine the schedule for implementation of each of the Increases in Capital.

(b) As regards each of the Increases in Capital, to set the exact amount thereof, the Amount of the Option, the number of New Shares, and the number of free-of-charge allocation rights necessary for the allocation of one New Share, applying the rules established by this resolution for such purpose.
(c) To determine the reserve(s), among those contemplated in this resolution, with a charge to which each of the Increases in Capital and the acquisition by the Company of the free-of-charge allocation rights as a consequence of the respective Purchase Commitments will be implemented.

(d) To designate the company or companies that will assume the duties of agent and/or financial adviser in connection with each of the Increases in Capital, and sign all required contracts and documents for such purpose.

(e) To set the duration of the periods for trading the free-of-charge allocation rights corresponding to each of the Increases in Capital.

(f) To set the period during which the Purchase Commitments will be in effect for each of the Increases in Capital and determine the object thereof within the limits established in this resolution.

(g) To fulfill the Purchase Commitments corresponding to each of the Increases in Capital, paying the corresponding amounts to those who have accepted such commitments.

(h) To declare the Increases in Capital to be closed and implemented, setting, for such purpose, the number of New Shares actually allocated in each of them and, therefore, the amount by which the Company’s share capital must be increased in accordance with the rules established by the shareholders at this General Shareholders’ Meeting, as well as declare, if applicable, the existence of an incomplete allocation of each of the Increases in Capital.

(i) To amend the article of the By-Laws setting the share capital such that it reflects the new amount of share capital and the number of outstanding shares resulting from the implementation of each of the Increases in Capital.

(j) To waive the free-of-charge allocation rights held by the Company at the end of the respective period for trading them as a result of the Purchase Commitment in each of the Increases in Capital and thus waive the New Shares corresponding to such rights.

(k) To waive any free-of-charge allocation rights to subscribe for New Shares in each of the Increases in Capital, for the sole purpose of facilitating that the number of New Shares be a whole number and not a fraction.

(l) To take all steps required for the New Shares to be included in the book-entry records of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR) and admitted to trading on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges through the Automated Quotation System (Continuous Market) after each of the Increases in Capital.

(m) To take any actions that are necessary or appropriate to implement and formalise each of the Increases in Capital before any public or private entities or agencies, whether domestic or foreign, including acts for purposes of representation or supplementation or to cure defects or omissions that might prevent or hinder the full effectiveness of the foregoing resolutions.
ITEM NUMBER SEVEN ON THE AGENDA

Authorisation to the Board of Directors, with express power of substitution, to increase the share capital upon the terms and within the limits set out in section 297.1.b) of the Companies Act, with the power to exclude pre-emptive rights, limited to a maximum nominal amount of 20% of the share capital, including such amount as may arise from the approval and implementation of the proposed resolution set forth in item 8 of the agenda.

RESOLUTION

To authorise the Board of Directors to increase the share capital on one or more occasions and at any time upon the terms and within the limits set out in section 297.1.b) of the Companies Act, i.e. within a term of five years from the date of approval of this resolution and by up to one-half of the current share capital.

Increases in share capital under this authorisation shall be carried out through the issuance and flotation of new shares –with or without a premium– the consideration for which shall be cash contributions.

In each increase, the Board of Directors shall decide whether the new shares to be issued are ordinary, preferred, redeemable, non-voting, or any other kinds of shares among those permitted by law.

As to all matters not otherwise contemplated, the Board of Directors may establish the terms and conditions of the increase in share capital and the characteristics of the shares, and may also freely offer the new shares that are not subscribed for within the period or periods for the exercise of pre-emptive rights. The Board of Directors may also resolve that, in the event of incomplete subscription, the share capital shall be increased only by the amount of the subscriptions made and amend the article of the By-Laws relating to share capital.

In connection with the increases in share capital that may be carried out under this authorisation, the Board of Directors is authorised to totally or partially exclude pre-emptive rights as permitted by section 506 of the Companies Act, provided, however, that such power shall be limited to increases in share capital carried out pursuant to this authorisation and to the authorisation contemplated in item 8 on the agenda up to a maximum amount equal, in the aggregate, to 20% of the current share capital of the Company.

The Company shall, when appropriate, make application for trading of the shares issued under this authorisation on Spanish or foreign, official or unofficial, organised or other secondary markets, and the Board of Directors shall be authorised to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.

The Board of Directors is expressly authorised to further delegate the powers contemplated in this resolution.
ITEM NUMBER EIGHT ON THE AGENDA

Authorisation to the Board of Directors, with express power of substitution, for a term of five years, to issue debentures or bonds that are exchangeable for and/or convertible into shares of the Company or of other companies and warrants on newly-issued or outstanding shares of the Company or of other companies, with a maximum limit of five billion euros. The authorisation includes the delegation of such powers as may be required to: (i) determine the basis for and terms and conditions applicable to the conversion, exchange, or exercise; (ii) increase share capital to the extent required to accommodate requests for conversion; and (iii) exclude the pre-emptive rights of the shareholders in connection with the issues, limited to a maximum nominal amount of 20% of the share capital, including such amount as may arise from the approval and implementation of the proposed resolution set forth in item 7 of the agenda.

RESOLUTION

1. Authorisation to the Board of Directors to Issue Securities

To authorise the Board of Directors to issue debentures and bonds exchangeable for shares of the Company or of any other company and/or convertible into shares of the Company, as well as warrants (options to subscribe for new shares of the Company or to acquire outstanding shares of the Company or of any other company).

2. Term

The issuance of the securities covered by the authorisation may be effected on one or more occasions within a maximum period of five years following the date of approval of this resolution.

3. Maximum Amount

The maximum total amount of the issuance(s) of securities approved under this authorisation shall be five billion euros or the equivalent thereof in another currency. For purposes of calculation of the aforementioned limit, in the case of warrants, the sum of the premiums and exercise prices of the warrants on issuances approved under this authorisation shall be taken into account.

4. Scope

For each issuance, the Board of Directors shall be authorised to, among other things, determine the amount thereof, always within the above-mentioned overall quantitative limit, the place of issuance (in Spain or abroad) and the domestic or foreign currency and, in the case of foreign currency, its equivalence in euros; the specific instrument to be issued whether bonds or debentures, including subordinated bonds or debentures, warrants (which may in turn be settled by means of the physical delivery of the shares or, if applicable, through the payment of differences in price), or any other form permitted by law; the place of issuance; the number of securities and the nominal value thereof, which, in the case of convertible and/or exchangeable bonds or debentures, shall not be less than the par value of the shares; in the case of warrants and similar securities, the issue price and/or premium, the exercise price (which may be fixed or variable) and the procedure, period, and other terms and conditions applicable to the exercise of the right to subscribe for the underlying shares or, if applicable, the exclusion of such right; the interest rate (whether fixed or variable); the dates and procedures for payment of the coupon; whether the instrument issued is perpetual or subject to repayment and, in the latter case, the period for repayment and the maturity date or dates; guarantees, reimbursement rate, premiums, and lots; the form of representation, as securities or book entries; the establishment of anti-dilution provisions; the rules applicable to subscription; the rank of the securities and the subordination clauses, if any; the law applicable to the issuance; the power to make application, where appropriate, for the trading of the securities to be issued on Spanish or foreign, official or unofficial, organised or other secondary markets, subject to the requirements established by applicable regulations in each case and, in general, any other terms of the issuance, as well as, if applicable, the appointment of the security-holders’ syndicate representative (comisario) and the approval of the basic rules that are to govern the legal relations between the Company and the syndicate of holders of the securities to be issued in the event that such syndicate must or is decided to be created.
In addition, the Board of Directors is authorised such that, when it deems it appropriate and subject, if applicable, to any appropriate authorisations being secured and to the consent of security-holders coming together at a meeting of the corresponding syndicates of security-holders, it may modify the terms and conditions applicable to the repayment of the fixed-income securities issued as well as the respective period thereof, and the rate of interest, if any, accrued by the securities included in each of the issuances effected under this authorisation.

5. Basis for and Terms and Conditions Applicable to the Conversion and/or Exchange

In the case of issuance of convertible and/or exchangeable debentures or bonds, and for purposes of determining the terms and conditions for conversion and/or exchange, it is resolved to establish the following standards:

(a) The securities issued pursuant to this resolution shall be exchangeable for shares of the Company or of any other company and/or convertible into shares of the Company, in accordance with a fixed or variable conversion and/or exchange ratio determined or to be determined, with the Board of Directors being authorised to determine whether they are convertible and/or exchangeable, as well as to determine whether they are mandatorily or voluntarily convertible and/or exchangeable, and if voluntarily, at the option of the holder thereof or of the Company, at the intervals, and during the period established in the resolution providing for the issuance, which may not exceed thirty years from the date of issuance.

(b) In the event that the issue is convertible and exchangeable, the Board of Directors may also provide that the issuer reserves the right at any time to elect between conversion into new shares or the exchange thereof for outstanding shares of the Company, with the nature of the shares to be delivered being determined at the time of conversion or exchange, and may also elect to deliver a combination of newly-issued shares and existing shares of the Company and even to pay the difference in cash. In any event, the issuer shall afford equal treatment to all holders of fixed-income securities converting and/or exchanging their securities on the same date.

(c) For purposes of the conversion and/or exchange, the securities shall be valued at the nominal amount thereof and the shares at the fixed exchange ratio established in the resolution of the Board of Directors making use of this authorisation, or at the variable ratio to be determined on the date or dates specified in the resolution of the Board, based on the listing price of the Company’s shares on the date(s) or during the period(s) used as a reference in such resolution. In any event, the fixed ratio thus determined may not be less than the average exchange ratio for the shares on the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), in accordance with closing listing prices during a period to be set by the Board of Directors and which shall not be greater than three months or less than five calendar days prior to the date of approval by the Board of Directors of the resolution providing for the issuance of the fixed-income securities or prior to the date of payment of the securities by the subscribers, at a premium or at a discount, as the case may be, on such price per share, provided, however, that if a discount on the price per share is established, it shall not be greater than 25% of the value of the shares used as a reference as set forth above.

(d) It may also be resolved that the convertible and/or exchangeable fixed-income securities be issued at a variable conversion and/or exchange ratio. In such case, the price of the shares for purposes of the conversion and/or exchange shall be the arithmetic mean of the closing prices of the shares of the Company on the Continuous Market during a period to be determined by the Board of Directors, which shall not be greater than three months or less than five calendar days prior to the date of conversion and/or exchange, at a premium or at a discount, as the case may be, on such price per share. The premium or discount may be different for each date of conversion and/or exchange of each issuance (or for each tranche of an issuance, if any), provided, however, that if a discount is established on the price per share, it shall not be greater than 25% of the value of the shares used as a reference as set forth above.

(e) Whenever a conversion and/or exchange is admissible, any fractional shares to be delivered to the holder of the debentures shall be rounded downwards by default to the immediately lower integer, and each holder shall receive in cash, if so provided in the terms of issuance, any difference that may arise in such case.

(f) In no event may the value of the shares for purposes of the ratio for conversion of debentures into shares be less than the par value thereof. Furthermore, debentures may not be converted into shares if the nominal value of the former is less than that of the latter.
(g) When approving an issuance of convertible and/or exchangeable debentures or bonds under the authorisation granted in this resolution, the Board of Directors shall issue a directors’ report, elaborating on and specifying, on the basis of the standards described above, the basis and terms and conditions for conversion that are specifically applicable to the respective issuance. This report shall be accompanied by the corresponding audit report as provided by law.

6. Basis for and Terms and Conditions Applicable to the Exercise of Warrants and Other Similar Securities

In the case of issuance of warrants, it is resolved to establish the following standards:

(a) In the case of issuances of warrants, to which the provisions of the Companies Act on convertible debentures shall apply by analogy, the Board of Directors is authorised to determine, in the broadest terms, in connection with the basis for and terms and conditions applicable to the exercise of such warrants, the standards applicable to the exercise of rights to subscribe for or acquire shares of the Company or of another company, or to a combination thereof, arising from the securities of this kind issued under this authorisation. The standards set forth in section 5 above shall apply to such issuances, with such adjustments as may be necessary in order to bring them into compliance with the legal and financial rules governing these kinds of securities.

(b) The preceding standards shall apply, with any changes that may be required and to the extent applicable, to the issuance of fixed-income securities (or warrants) that are exchangeable for shares of other companies. Where appropriate, all references to the Spanish Stock Exchanges shall be deemed made to the markets, if any, on which the respective shares are listed.

7. Admission to Trading

The Company shall, when appropriate, make application for trading of the convertible and/or exchangeable debentures and/or bonds or warrants issued by the Company under this authorisation on Spanish or foreign, official or unofficial, organised or other secondary markets, and the Board of Directors shall be authorised as broadly as required to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.

It is expressly stated for the record that if application is subsequently made for delisting, it shall be made in compliance with the same formalities as the application for listing, to the extent any such formalities are required, and in such case, the interests of the shareholders or debenture-holders opposing or not voting in favour of the resolution shall be safeguarded as provided by applicable law. In addition, it is expressly stated that the Company undertakes to abide by Stock Market regulations, whether now existing or as may hereafter be issued, particularly as regards trading, continued listing, and delisting.

8. Guarantee in Support of Issuances of Convertible and/or Exchangeable Fixed-income Securities or Warrants by Subsidiaries

The Board of Directors is also authorised to guarantee, on behalf of the Company and within the limits set forth above, new issuances of convertible and/or exchangeable fixed-income securities or warrants carried out by subsidiaries during the effective period of this resolution.

9. Delegation of Powers to the Board of Directors

This authorisation to the Board of Directors also includes, without limitation, the delegation thereto of the following powers:

(a) The power of the Board of Directors, pursuant to the provisions of section 511 of the Companies Act, to totally or partially exclude the pre-emptive rights of the shareholders. In any event, if the Board of Directors decides to exclude the pre-emptive rights of the shareholders in connection with any specific issuance of convertible bonds or debentures, warrants, and other securities similar thereto that it ultimately decides to effect under this authorisation, the Board shall issue, at the time of approval of the issuance and pursuant to applicable laws and regulations, a report setting forth the specific reasons based on the corporate interest that justify such measure, on which there shall be
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prepared the corresponding report of an auditor, other than the Company’s auditor and appointed by the Commercial Registry, mentioned in sections 414 and 511 of the Companies Act. Both such reports shall be made available to the shareholders and disclosed at the first General Shareholders’ Meeting that is held following approval of the resolution providing for the issuance.

This power shall in any event be limited to those increases in capital carried out pursuant to this authorisation and to the authorisation contemplated in item 7 on the agenda up to a maximum amount equal, in the aggregate, to 20% of the share capital on the date of adoption of this resolution.

(b) The power to increase share capital to the extent required to accommodate requests for conversion and/or for exercise of the right to subscribe for shares. Such power may only be exercised to the extent that the Board of Directors, adding the increase in capital effected to accommodate the issuance of convertible debentures, warrants, and other similar securities and the other increases in capital approved under authorisations granted by the shareholders at this General Shareholders’ Meeting, does not exceed the limit of one-half of the amount of the share capital provided by section 297.1(b) of the Companies Act. This authorisation to increase capital includes the authorisation to issue and float, on one or more occasions, the shares representing such capital that are necessary to carry out the conversion and/or to exercise the right to subscribe for shares, as well as the power to amend the article of the By-Laws relating to the amount of the share capital and, if appropriate, to cancel the portion of such increase in capital that was not required for the conversion and/or the exercise of the right to subscribe for shares.

(c) The power to elaborate on and specify the basis for and terms and conditions applicable to the conversion, exchange, and/or exercise of the rights to subscribe for and/or acquire shares arising from the securities to be issued, taking into account the standards set out in sections 5 and 6 above.

(d) The delegation to the Board of Directors includes the powers required in order to interpret, apply, implement, and develop the resolutions providing for the issuance of securities that are convertible into or exchangeable for shares of the Company, on one or more occasions, and to carry out the corresponding increase in capital, as well as the power to correct and supplement such resolutions as to all matters that may be necessary and to comply with all legal requirements for the successful implementation thereof. To such end the Board of Directors may correct any omissions or defects in the aforementioned resolutions that may be identified by any Spanish or foreign authorities, officials, or bodies, and may also adopt all such resolutions and execute all such public or private documents as it may deem necessary or appropriate in order to adjust the preceding resolutions for the issuance of convertible or exchangeable securities and the corresponding increase in capital to the oral or written assessment of the Commercial Registrar or, in general, of any other competent Spanish or foreign authorities, officials, or entities.

The Board of Directors is expressly authorised to further delegate the powers contemplated in this resolution.

10. Revocation of Current Authorisation

This resolution deprives of effect the authorisation to issue debentures or bonds that are exchangeable for and/or convertible into shares of the Company and warrants on newly-issued or outstanding shares of the Company granted to the Board of Directors by the shareholders at the General Shareholders’ Meeting held on 27 May 2011 under item nine on the agenda.
ITEM NUMBER NINE ON THE AGENDA

Re-election of the following directors: (A) Mr Iñigo Víctor de Oriol Ibarra, as other external director; (B) Ms Inés Macho Stadler, as independent director; (C) Mr Braulio Medel Cámara, as independent director; and (D) Ms Samantha Barber, as independent director; and appointment of (E) Mr Xabier Sagredo Ormaza, as other external director.

RESOLUTIONS

A.- Re-election of Mr Iñigo Víctor de Oriol Ibarra.

To re-elect Mr Iñigo Víctor de Oriol Ibarra as director, after a report from the Appointments Committee, for the by-law mandated four-year term, with the status of other external director.

B.- Re-election of Ms Inés Macho Stadler.

To re-elect Ms Inés Macho Stadler as director, upon the proposal of the Appointments Committee, for the by-law mandated four-year term, with the status of independent director.

C.- Re-election of Mr Braulio Medel Cámara.

To re-elect Mr Braulio Medel Cámara as director, upon the proposal of the Appointments Committee, for the by-law mandated four-year term, with the status of independent director.

D.- Re-election of Ms Samantha Barber.

To re-elect Ms Samantha Barber as director, upon the proposal of the Appointments Committee, for the by-law mandated four-year term, with the status of independent director.

E.- Appointment of Mr Xabier Sagredo Ormaza.

To appoint Mr Xabier Sagredo Ormaza as director, after a report from the Appointments Committee, for the by-law mandated four-year term, with the status of other external director.

It is stated for the record that the sole transitional provision of the Regulations of the Board of Directors provides that, if re-elected as directors, Mr Iñigo Víctor de Oriol Ibarra and Ms Inés Macho Stadler will tender their resignation to the Board of Directors at the meeting it holds to call the General Shareholders’ Meeting to be held in 2018, in order to not exceed the maximum term of twelve years to be classified as an independent director, as provided in section 529. duodecies. 4. i) of the Companies Act, and that Mr Braulio Medel Cámara will tender his resignation to the Board of Directors at the first meeting it holds after reaching the age of seventy years, in August 2017.
ITEM NUMBER TEN ON THE AGENDA

Amendment of the following articles of the By-Laws: (A) articles 2, 3, 5, 6, 7, 8, 9, and 32, to formalise the inclusion of the Mission, Vision, and Values of the Iberdrola group within the Corporate Governance System and to stress the Company’s commitment to its corporate values, to social return, and to the engagement of all stakeholders, and creation of a new Preliminary Title; (B) article 12, to refer to the indirect participation of the shareholders of IBERDROLA, S.A. in the other companies of the Iberdrola group, and restructuring of Title I; and (C) articles 34, 37, 38, 39, 40, 41, 42, 43, 44, and 45, to clarify the distribution of the powers of the Appointments Committee and of the Remuneration Committee, and to make other improvements of a technical nature.

RESOLUTIONS

A.- Amendment of articles 2, 3, 5, 6, 7, 8, 9, and 32 of the By-Laws and creation of a new Preliminary Title.

To amend articles 2, 3, 5, 6, 7, 8, 9, and 32 of the By-Laws to formalise the inclusion of the Mission, Vision, and Values of the Iberdrola group within the Corporate Governance System and to stress the Company’s commitment to its corporate values, to social return, and to the engagement of all stakeholders. These provisions shall hereafter read as follows:

"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 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 Return, Corporate Values, and Ethical Principles

1. The Mission, Vision, and Values of the Iberdrola group constitutes the corporate philosophy of the Group and expresses a desire to optimise its business, corporate, and institutional reality, in the awareness that, due to its size and the importance of its activities, it is a focal point for many stakeholders and of the economic and social environment in which its companies do business.

2. The Mission, Vision, and Values of the Iberdrola group 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.

3. The Company seeks a social return on all of its activities. Its corporate values reflect its commitment to the creation of value in a sustainable manner, ethical principles, transparency and good corporate governance, the development of human resources, social commitment, a sense of belonging, safety and reliability, quality, innovation, protection of the environment, customer focus, and institutional loyalty.

4. The Board of Directors has approved a Code of Ethics that further develops the bylaw-mandated commitment of the Company to its corporate values and ethical principles.

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 object of the Company and the fulfilment of the corporate interest.

3. The Corporate Governance System is made up of these By-Laws, the Mission, Vision, and Values of the Iberdrola group, the Corporate Policies, the internal corporate governance rules, which include the Regulations for the General Shareholders’ Meeting, the Regulations of the Board of Directors and those of its consultative committees, and of the other internal codes and procedures approved by the competent decision-making bodies of the Company.

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

5. 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.”

“**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.**

It is also resolved to create a new Preliminary Title, which groups together articles 1 to 9, both inclusive, under the title “IBERDROLA, S.A. and its group” and to renumber the current article 4 regarding the object of the Company, which becomes the new article 5.

**B.- Amendment of article 12 of the By-Laws and restructuring of Title I.**

To amend article 12 of the By-Laws to refer to the indirect participation of the shareholders of IBERDROLA, S.A. in other companies of the Iberdrola group. This provision shall hereafter read as follows:

"**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."

It is also resolved to restructure Title I, such that it groups together articles 10 to 14 under the title “Share Capital and Shareholders”, divided into two chapters: the first entitled “Share Capital and Shares”, which groups together articles 10 and 11, and the second entitled “Shareholders”, which groups together articles 12 to 14, both inclusive.

**C.- Amendment of articles 34, 37, 38, 39, 40, 41, 42, 43, 44, and 45 of the By-Laws to clarify the regulation of the powers of the Appointments Committee and of the Remuneration Committee, and to make other improvements of a technical nature.**

To amend articles 34, 37, 38, 39, 40, 41, 42, 43, 44, and 45 of the By-Laws to reflect the split of the Appointments and Remuneration Committee into two different committees and to clarify the distribution of the powers between the Appointments Committee and the Remuneration Committee, and to make other improvements of a technical nature. These provisions shall hereafter read as follows:

"**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."
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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 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.***
ITEM NUMBER ELEVEN ON THE AGENDA

11. Amendment of the following articles of the Regulations for the General Shareholders’ Meeting: (A) articles 1, 6, 13, and 14, to formalise the Company’s commitment to the sustainable management of the General Shareholders’ Meeting as an event and to promote environmentally-friendly channels of communication; (B) article 16, to regulate the gift for the General Shareholders’ Meeting; and (C) articles 22 and 32, to make improvements of a technical nature.

RESOLUTIONS

A.- Amendment of articles 1, 6, 13, and 14 of the Regulations for the General Shareholders’ Meeting.

To amend articles 1, 6, 13, and 14 of the Regulations for the General Shareholders’ Meeting to formalise the Company’s commitment to the sustainable management of the General Shareholders’ Meeting as an event and to promote environmentally-friendly channels of communication. These provisions shall hereafter read as follows:

"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.


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 endeavour to ensure that all actions relating to the organisation of the General Shareholders’ Meeting comply with the best sustainable event management practices.

Article 13. Availability of Information
Resolutions adopted by the General Shareholders’ Meeting

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 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; and 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 the 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.

   g) The annual reports that the Board of Directors has approved regarding corporate social responsibility.

   h) The report on the independence of the auditor prepared by the Audit and Risk Supervision Committee.

   i) The activities reports or integrated activities report of the consultative committees of the Board of Directors.

3. 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
Resolutions adopted by the General Shareholders’ Meeting

the General Shareholders’ Meeting. In the event of a discrepancy between the Spanish and English versions, the former shall prevail.

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.”

B.- Amendment of article 16 of the Regulations for the General Shareholders’ Meeting.

To amend article 16 of the Regulations for the General Shareholders’ Meeting to regulate the gift for the General Shareholders’ Meeting. This provision shall hereafter read as follows:

“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.”

C.- Amendment of articles 22 and 32 of the Regulations for the General Shareholders’ Meeting to make improvements of a technical nature.

To amend articles 22 and 32 to make improvements of a technical nature. These provisions shall hereafter read as follows:

“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 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.”
ITEM NUMBER TWELVE ON THE AGENDA

Approval of a reduction in share capital by means of the retirement of 157,197,000 own shares representing 2.46% of the share capital. Delegation of powers to the Board of Directors, with express power of substitution, to, among other things, amend the article of the By-Laws setting the share capital.

RESOLUTION

1. Reduction in Capital by means of the Retirement of both Currently Existing Treasury Shares and Own Shares of the Company Acquired through a Buy-back Programme for the Retirement thereof

To reduce the share capital of IBERDROLA, S.A. (the “Company”) by the amount resulting from the sum of:

(a) 111,634,370.25 euros, through the retirement of 148,845,827 currently existing treasury shares, each with a nominal value of seventy-five euro cents, acquired under the authorisation granted by the shareholders at the General Shareholders’ Meeting held on 28 March 2014 under item nine on the agenda and within the limits established by section 146 and related provisions and section 509 of the Companies Act (the “Existing Treasury Shares”); and

(b) the aggregate nominal value, up to the maximum amount of 6,263,379.75 euros, of the own shares of the Company, each with a nominal value of seventy-five euro cents, up to a maximum of 8,351,173 own shares, that are acquired for their retirement under the buy-back programme approved by the Board of Directors on 23 February 2016 under the provisions of Commission Regulation (EC) No 2273/2003 of 22 December 2003, and in effect, at the latest, through [31 May 2016] (the “Buy-back Programme”).

Consequently, the maximum amount of the reduction in capital (the “Reduction in Capital”) would be 117,897,750 euros, through the retirement of a maximum of 157,197,000 own shares, each with a nominal value of seventy-five euro cents, representing not more than 2.46% of the share capital at the time this resolution is approved.

In accordance with the provisions below, the final amount of the Reduction in Capital will be set by the Board of Directors of the Company depending upon the final number of shares acquired from the shareholders within the framework of the Buy-back Programme.

2. Procedure for Acquisition of the Shares that Will Be Retired under the Buy-back Programme

Without prejudice to the Existing Treasury Shares, and in accordance with the resolution approved by the Board of Directors at its meeting of 23 February 2016, the Company may acquire a maximum number of 8,351,173 own shares by way of implementation of the Buy-back Programme for all of the shareholders and for their retirement, each of such own shares having a nominal value of seventy-five euro cents and representing a maximum of 0.13% of the share capital of the Company on the date of approval of this resolution, which number is within the legal limit and the limit provided for in the authorisation for the acquisition of own shares granted by the shareholders at the General Shareholders’ Meeting held on 28 March 2014 under item nine on the agenda.

As provided in the aforementioned resolution of the Board of Directors, the own shares will be acquired on such terms as to price and volume as are established in article 5 of Commission Regulation (EC) No 2273/2003 of 22 December 2003.

In accordance with the foregoing, pursuant to section 340.3 of the Companies Act, if the Company fails to acquire the maximum number of 8,351,173 own shares, each with a nominal value of seventy-five euro cents, under the Buy-back Programme, it will be understood that the share capital is reduced by the sum of (i) the amount corresponding to the Existing Treasury Shares and (ii) the amount corresponding to the shares effectively acquired under the Buy-back Programme.

Consequently, the shares will be acquired upon the terms set forth in sections 144.a) and 338 through 342 of the Companies Act, to the extent applicable, in section 12.2 of Royal Decree 1066/2007 of 27 July, and in Commission
Regulation (EC) No 2273/2003 of 22 December 2003, without the need for a takeover bid for the shares of the Company planned to be retired.

3. Procedure for the Reduction and Reserves with a Charge to Which It Is Carried Out

Pursuant to the provisions of section 342 of the Companies Act, the Reduction in Capital must be implemented within one month following the expiration of the Buy-back Programme.

The Reduction in Capital does not entail a return of contributions to the shareholders because the Company itself is the holder of the shares being retired, and it will be carried out with a charge to unrestricted reserves by funding a retired capital reserve in an amount equal to the nominal value of the retired shares; such reserve may only be used by complying with the same requirements as those applicable to a reduction in share capital, as provided by section 335 c) of the Companies Act.

Therefore, in accordance with the provisions of such section, creditors of the Company will not be entitled to assert the right of objection contemplated by section 334 of the Companies Act in connection with the Reduction in Capital.

4. Ratification of Resolutions of the Board of Directors

To ratify the resolutions of the Board of Directors regarding the approval of the Buy-back Programme and the establishment of the terms and conditions thereof, including the determination of the maximum number of shares to be acquired and the effectiveness period, as well as to ratify the acts, statements, and formalities carried out through the date hereof in connection with the public communication of the Buy-back Programme.

5. Delegation of Powers

To delegate to the Board of Directors, with express powers of substitution, the powers necessary to implement this resolution within a period not to exceed one month following the expiration of the Buy-back Programme, with authority to establish any terms that are not expressly set forth in this resolution or that are a consequence hereof. In particular, and by way of example only, the following powers are delegated to the Board of Directors, with express powers of substitution:

(a) To modify the maximum number of shares that may be bought back by the Company, within the limits set in this resolution and by law, as well as any other terms and conditions of the Buy-back Programme, all in accordance with the provisions of Commission Regulation (EC) No 2273/2003 of 22 December 2003.

(b) To perform any acts, make any statements, or take any steps that may be required in connection with the public communication of the Buy-back Programme and with the formalities, if any, that must be carried out at Spanish regulatory agencies and Stock Exchanges; negotiate, agree to, and sign all contracts, agreements, commitments, or instructions that may be necessary or appropriate for the successful completion of the Buy-back Programme.

(c) To cause all announcements required by law to be published, acquire the shares under the Buy-back Programme, and, within one month following the expiration of the Buy-back Programme, retire the shares in accordance with the terms approved herein.

(d) To declare the approved Reduction in Capital to be completed and implemented, establishing, for such purpose, the final number of shares that must be retired and, as a result, the amount by which the share capital of the Company must be reduced in accordance with the rules specified in this resolution.

(e) To set the final amount of the Reduction in Capital based on the provisions of this resolution and establish any other terms that may be required to implement it, all in accordance with the terms and conditions set forth above.

(f) To amend the article of the By-Laws setting the share capital such that it reflects the new amount of share capital and the number of outstanding shares resulting from the implementation of the Reduction in Capital.
(g) To take such steps and carry out such formalities as may be required and submit such documents as may be necessary to the competent bodies such that, once the shares of the Company have been retired and the notarial instrument for the Reduction in Capital has been executed and registered with the Commercial Registry, the retired shares are delisted from the Bilbao, Madrid, Barcelona, and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), and they are removed from the corresponding book-entry registers.

(h) To perform all acts that may be necessary or appropriate to implement and formalise the Reduction in Capital before any public or private, Spanish or foreign entities and agencies, including acts for purposes of representation, supplementation, or correction of defects or omissions that might prevent or hinder the full effectiveness of the foregoing resolutions.

Pursuant to the provisions of section 249.2 of the Companies Act, the Board of Directors is expressly authorised to further delegate the powers contemplated in this resolution.
ITEM NUMBER THIRTEEN ON THE AGENDA

Delegation of powers to formalise and implement all resolutions adopted by the shareholders at the General Shareholders’ Meeting, for conversion thereof into a public instrument, and for the interpretation, correction, and supplementation thereof, further elaboration thereon, and registration thereof.

RESOLUTION

Without prejudice to the powers delegated in the preceding resolutions, to jointly and severally authorise the Board of Directors, the Executive Committee, the chairman & CEO, and the secretary of the Board of Directors, such that any of them, to the fullest extent required, may implement the resolutions adopted by the shareholders acting at this General Shareholders’ Meeting, for which purpose they may:

(a) Elaborate on, clarify, make more specific, interpret, complete, and correct them.

(b) Carry out such acts or legal transactions as may be necessary or appropriate for the implementation of the resolutions, execute such public or private documents as they deem necessary or appropriate for the full effectiveness thereof, and correct all omissions, defects, or errors, whether substantive or otherwise, that might prevent the recording thereof with the Commercial Registry.

(c) Prepare restated texts of the By-Laws and the Regulations for the General Shareholders’ Meeting, including the amendments approved at this General Shareholders’ Meeting.

(d) Delegate to one or more of its members all or part of the powers of the Board of Directors that they deem appropriate, including those vested in the Board of Directors and those that have been expressly granted to them by the shareholders acting at this General Shareholders’ Meeting, whether jointly or severally.

(e) Determine all other circumstances that may be required, adopt and implement the necessary resolutions, publish the notices, and provide the guarantees that may be required for the purposes established by law, formalise the required documents, and carry out all necessary proceedings and comply with all requirements under the law for the full effectiveness of the resolutions adopted by the shareholders at this General Shareholders’ Meeting.
ITEM NUMBER FOURTEEN ON THE AGENDA

Consultative vote regarding the Annual Director Remuneration Report for financial year 2015.

RESOLUTION

To approve, on a consultative basis, the Annual Director Remuneration Report for financial year 2015, the full text of which was made available to the shareholders together with the other documentation relating to the General Shareholders’ Meeting from the date of publication of the announcement of the call to meeting.