



General Shareholders' Meeting

Adopted Resolutions / 2017

ITEM NUMBER ONE ON THE AGENDA

Approval of the individual annual accounts and the consolidated annual accounts for financial year 2016.

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 2016, which were finalised by the Board of Directors at its meeting held on 21 February 2017.

ITEM NUMBER TWO ON THE AGENDA

Approval of the individual and consolidated management reports for financial year 2016.

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 2016, which were finalised by the Board of Directors at its meeting held on 21 February 2017.

ITEM NUMBER THREE ON THE AGENDA

Approval of the management and activities of the Board of Directors during financial year 2016.

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 2016.

ITEM NUMBER FOUR ON THE AGENDA

Appointment of KPMG Auditores, S.L. as new auditor of the Company and of its consolidated group for financial years 2017, 2018, and 2019.

RESOLUTION

To appoint KPMG Auditores, S.L. as auditor of IBERDROLA, S.A. (the "**Company**") and of its consolidated group to carry out the audit for financial years 2017, 2018, and 2019, 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 submitted for the approval of the shareholders at the General Shareholders' Meeting upon a proposal of the Audit and Risk Supervision Committee, which, after engaging in a selection process pursuant to the provisions of law, applying transparent and non-discriminatory criteria, recommended KPMG Auditores, S.L. and Pricewaterhousecoopers Auditores, S.L. to the Board of Directors as candidate firms to perform the audit of the individual annual accounts of the Company and those of its consolidated group for the financial years 2017 to 2019, with the former being preferred by the committee due to receiving a higher score in said process.

KPMG Auditores, S.L. has its registered office in Madrid, at Paseo de la Castellana, nº 259 c, and bears Tax Identification Number B-78510153. It is registered with the Official Auditors' Registry (*Registro Oficial de Auditores de Cuentas*) of the Institute of Accounting and Accounts Auditing under number S0702 and with the Madrid Commercial Registry at volume 11,961, page M-188,007.

ITEM NUMBER FIVE ON THE AGENDA

Approval of the preamble to the By-Laws.

RESOLUTION

To approve the text of the preamble to the By-Laws, which shall read as follows:

"PREAMBLE

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

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

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

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

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

The Mission is complemented, on the one hand, by a Vision contemplating an ambition to play the lead towards a better future, sustainably creating value with a quality service for the people and for the communities in which the Group does business, and on the other, by certain specific Values, which include the sustainable creation of value, respect for ethical principles, good corporate governance and transparency, development of its human resources, social commitment, encouragement of the stakeholders' sense of belonging, safety and reliability of supply, quality, innovation, respect for the environment, customer focus, and institutional loyalty.

In turn, these By-Laws are the basis on which the Company has built its Corporate Governance System, a regulatory structure that ensures the effective articulation of the principles set out in the Mission, Vision, and Values of the Iberdrola group in the form of a true regulatory system that is subject to continuous review and update in order to immediately conform to regulatory changes and to the most stringent international standards.

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

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

ITEM NUMBER SIX ON THE AGENDA

Amendment of articles 7 and 8 of the *By-Laws* to reflect the Company's commitment to maximisation of the social dividend and to the *Mission, Vision, and Values of the Iberdrola group*.

RESOLUTION

To amend articles 7 and 8 of the *By-Laws* to reflect the Company's commitment to maximisation of the social dividend and to the *Mission, Vision, and Values of the Iberdrola group*. These provisions shall hereafter read as follows:

"Article 7. Social Dividend

1. *The Company conceives of the social dividend as the sustainable creation of value for all stakeholders affected by the activities of the Group in carrying out its businesses, the advancement of business communities which the Company participates in and leads, both from the economic viewpoint and from the perspective of business ethics, the promotion of equality and justice, the encouragement of innovation and protection of the environment, as well as through the generation of quality employment, its strategy of social responsibility, and its effort in the fight against climate change.*
2. *The Company is conscious of the importance of the social dividend for all of the communities in which the Group is present. Maximisation of the social dividend and the Company's commitment to the sustainable creation of value, ethical principles, transparency and good corporate governance, the development of its human resources, social commitment, a sense of belonging, safety and reliability, quality, innovation, protection of the environment, customer focus, and institutional loyalty are key values that the Board of Directors takes into account in order to define the strategy of the Group.*

Article 8. Applicable Legal Provisions and Corporate Governance System

1. *The Company is governed by the legal provisions relating to listed companies and other applicable laws and regulations, as well as by its Corporate Governance System.*
2. *The Corporate Governance System is the Company's internal system of rules, which is configured in accordance with applicable law in the exercise of corporate autonomy supported thereby and applies to the entire Group. It is intended to ensure through rule-making the best development of the corporate contract that binds its shareholders, and especially the corporate object and the corporate interest, as defined in the preceding articles.*
3. *The Corporate Governance System is made up of these *By-Laws*, the *Mission, Vision, and Values of the Iberdrola group*, the *Corporate Policies*, the governance rules of the corporate decision-making bodies and other internal committees, and the codes, regulations, and procedures making up and elaborating upon the Company's regulatory compliance system.*
4. *The *Mission, Vision, and Values of the Iberdrola group* constitutes the corporate philosophy of the Company, contains the ideological and axiological foundation upon which its business enterprise is based, and expresses a desire to optimise its corporate and institutional reality, in the awareness that, due to its size and the importance of its activities, it is a focal point for many stakeholders and for the economic and social environment in which its companies do business.*
5. *The *Mission, Vision, and Values of the Iberdrola group* inspires and takes form in the *Corporate Policies* and in the other rules of the Corporate Governance System, governing the day-to-day activities of all companies of the Group and guiding their strategy and all of their actions.*
6. *The Board of Directors has approved a Code of Ethics that further develops the bylaw-mandated commitment of the Company to the *Mission, Vision, and Values of the Iberdrola group* and ethical principles."*
7. *Full or summarised versions of the rules making up the Corporate Governance System can be viewed on the Company's corporate website.*
8. *The shareholders acting at a General Shareholders' Meeting and the Board of Directors of the Company, within their respective purview, develop, apply, and interpret the rules making up the Corporate Governance System in order to ensure compliance at all times with the purposes thereof and, particularly, the fulfilment of the corporate interest."*

ITEM NUMBER SEVEN ON THE AGENDA

Amendment of article 14 of the *Regulations for the General Shareholders' Meeting* to strengthen the right to receive information and to make technical improvements.

RESOLUTION

To amend article 14 of the *Regulations for the General Shareholders' Meeting* to strengthen the shareholders' right to receive information and to make technical improvements. This provision shall hereafter read as follows:

"Article 14. Corporate Website

1. *The Company shall use its corporate website to promote the informed participation of all shareholders in the General Shareholders' Meeting and to facilitate the exercise of their rights related thereto.*
2. *From the date of publication of the announcement of the call to meeting through the date of holding of the General Shareholders' Meeting in question, the Company shall continuously publish on its corporate website in electronic format and in an organised and environmentally-friendly manner, such information as is required by law or deemed appropriate to facilitate and promote the attendance and participation of the shareholders at the General Shareholders' Meeting, including in any case the following:*
 - a) *The announcement of the call to the General Shareholders' Meeting.*
 - b) *The total number of shares and voting rights existing on the date of the announcement of the call to meeting, broken down by classes of shares, if any.*
 - c) *Such documents relating to the General Shareholders' Meeting as are required by law, including the reports of the directors, the auditors, and the independent experts that are expected to be submitted, proposed resolutions submitted by the Board of Directors or by the shareholders, and any other relevant information that the shareholders might need in order to cast their vote.*
 - d) *In the event that the shareholders acting at a General Shareholders' Meeting must deliberate on the appointment, re-election, or ratification of directors, the corresponding proposed resolution shall be accompanied by the following information: professional profile and biographical data of the director; other boards of directors on which the director holds office, at listed companies or otherwise; type of director such person is or should be, with mention, in the case of proprietary directors, of the shareholder that proposes or proposed the appointment thereof or who the director represents or with which the director maintains ties; date of the director's first and any subsequent appointments as director of the Company; shares of the Company and derivative financial instruments whose underlying assets are shares of the Company of which such director is the holder; the report prepared by the Board of Directors and the proposal of the Appointments Committee in the case of independent directors, and the report of such Committee in other cases.*
 - e) *The existing channels of communication between the Company and the shareholders and, in particular, explanations pertinent to the exercise of the right to receive information, indicating the postal and e-mail addresses to which the shareholders may direct their requests.*
 - f) *The means and procedures for granting a proxy to attend the General Shareholders' Meeting and for casting absentee votes, including the form of attendance, proxy, and absentee voting card, if any.*
3. *Furthermore, after the publication of the announcement of the call to the Ordinary General Shareholders' Meeting, the Company shall publish the following documentation on its corporate website:*
 - a) *The integrated report, the sustainability report and any other reports determined by the Board of Directors.*
 - b) *The report on the independence of the auditor prepared by the Audit and Risk Supervision Committee.*
 - c) *The related-party transactions report prepared by the Appointments Committee.*
 - d) *The activities report of the Board of Directors and of the committees thereof.*
4. *The Company shall use its best efforts to include in its corporate website, beginning on the date of the announcement of the call to meeting, an English version of the information and the principal documents related to the General Shareholders' Meeting. In the event of a discrepancy between the Spanish and English versions, the former shall prevail.*

5. Pursuant to the provisions of applicable legislation, an Electronic Shareholders' Forum shall be enabled on the Company's corporate website on occasion of the call to the General Shareholders' Meeting. Duly verified shareholders and shareholder groups may access the Electronic Shareholders' Forum, the use of which shall conform to its legal purpose and to the assurances and rules of operation established by the Company."

ITEM NUMBER EIGHT ON THE AGENDA

Amendment of articles 19 and 39 of the Regulations for the General Shareholders' Meeting to expand the channels for participation in the General Shareholders' Meeting.

RESOLUTION

To amend articles 19 and 39 of the Regulations for the General Shareholders' Meeting to expand the channels for shareholder participation in the General Shareholders' Meeting. These provisions shall hereafter read as follows:

"Article 19. Right to Proxy Representation

1. Shareholders may exercise the right to attend personally or through proxy representation by another person, whether or not such person is a shareholder, by complying with the requirements of law and the Corporate Governance System.
2. The proxy may be granted by delivering to the proxy representative the attendance, proxy, and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company, or by any of the following means:
 - a) Advance delivery of the attendance, proxy, and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company at the premises provided by the Company on the days announced on the Company's corporate website.
 - b) Sending the attendance, proxy, and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company by postal correspondence addressed to the Company.
 - c) By electronic correspondence, completing the proxy form available on the Company's corporate website, using a recognised electronic signature of the shareholder or other type of guarantee that the Company deems proper to ensure the authenticity and identification of the shareholder granting the proxy.

For these purposes, the use of the personal passwords that the Company has previously delivered to the shareholder by postal or electronic correspondence to the address that the shareholder has communicated to the Company or through any other form determined by the Board of Directors shall be deemed to be a proper assurance.
 - d) By any other means that the Board of Directors determines is appropriate to favour the participation of the largest possible number of shareholders, provided that notice thereof is provided on the corporate website at the time of publishing the announcement of the call to meeting, and the authenticity and identification of the shareholder granting the proxy is duly ensured.
3. A proxy granted by any of the means indicated in the preceding section must be received by the Company before 24:00 on the day immediately prior to the day on which the General Shareholders' Meeting is held upon first call or upon second call, as applicable.
4. The Board of Directors is authorised to further develop the foregoing provisions by establishing rules, means, and procedures adjusted to current techniques in order to organise the granting of proxies by electronic means, in each case in accordance with the rules and regulations issued for such purpose.

Specifically, the Board of Directors may establish rules for the use of personal passwords and other guarantees other than electronic signatures for the granting of proxies by electronic correspondence, reduce the advance period established above for receipt by the Company of proxies granted by postal or electronic correspondence, and accept, and authorise the chair of and the secretary for the General Shareholders' Meeting or the persons acting by delegation therefrom to accept, any proxies received after such period, to the extent allowed by the means available.

5. The chairman and the secretary of the Board of Directors or the chair of and the secretary for the General Shareholders' Meeting, from the constitution thereof, and the persons acting by delegation from either of them, shall have the broadest powers for verifying the identity of the shareholders and their representatives, verifying the ownership and status of their rights, and recognising the validity of the attendance, proxy, and absentee voting card or the instrument or means evidencing attendance or representation by proxy.

6. *A proxy is always revocable. Attendance by the shareholder granting the proxy at the General Shareholders' Meeting, whether in person or due to having cast an absentee vote on a date subsequent to that of the proxy, shall have the effect of revoking the proxy.*
7. *A public solicitation for proxies by the Board of Directors or any of its members shall be governed by the provisions of law and by the corresponding resolution of the Board of Directors, if any.*
8. *A proxy may cover those matters that the law allows to be dealt with at the General Shareholders' Meeting even when not included in the agenda.*
9. *If the proxy has been validly granted pursuant to law and these Regulations but does not include voting instructions or if questions arise as to the intended proxy-holder or the scope of the representation, and unless otherwise indicated by the shareholder, it shall be deemed that the proxy: (i) is granted in favour of the chairman of the Board of Directors; (ii) refers to all of the items included in the agenda of the call to meeting; (iii) contains the instruction to vote favourably on all proposals made by the Board of Directors with respect to the items on the agenda of the call to meeting; and (iv) extends to matters that, although not included in the agenda of the call to meeting, may be dealt with at the General Shareholders' Meeting in accordance with law, in respect of which the proxy-holder shall vote in the direction the proxy-holder deems most favourable to the interests of the shareholder granting the proxy, within the framework of the corporate interest.*

This provision may be further developed by any rules approved by the Board of Directors that systematise, further develop, adapt, and specify the provisions of the Corporate Governance System regarding the management of the General Shareholders' Meeting.

10. *Before being appointed, the proxy-holder shall provide detailed information to the shareholder regarding the existence of any conflict of interest. If the conflict is subsequent to the appointment and the shareholder granting the proxy has not been advised of the possible existence of such conflict, the proxy-holder shall immediately inform the shareholder thereof. In both cases, if the proxy-holder has not received new specific voting instructions regarding each of the matters on which the proxy-holder has to vote on behalf of the shareholder, the proxy-holder shall abstain from voting, without prejudice to the provisions of the following section.*
11. *Unless otherwise expressly indicated by the shareholder, if the proxy-holder is affected by a conflict of interest and has no specific voting instructions, or if the proxy-holder has them but it is deemed preferable that the proxy-holder not exercise the proxy with respect to the items involved in the conflict of interest, the shareholder shall be deemed to have appointed the following persons as proxy-holders for such items, severally and successively, in the event that any of them is in turn affected by a conflict of interest: first, the chair of the General Shareholders' Meeting, second, the secretary therefor, and finally, the deputy secretary of the Board of Directors, if any. In this latter event, if there are several deputy secretaries, the order to be used shall be the order established at the time of their appointment (first deputy secretary, second deputy secretary, etc.). The proxy representative so designated shall cast the vote in the direction deemed most favourable to the interests of the person represented thereby, within the framework of the corporate interest.*
12. *A proxy representative may hold the proxy of more than one shareholder without limitation as to the number of shareholders being represented, and exercise the corresponding voting rights pursuant to the provisions of article 40.3 below."*

"Article 39. Absentee Voting; Powers to Engage in Proxy-Granting and Absentee Voting

1. *Shareholders may cast their vote regarding proposals relating to the items included in the agenda of the call to meeting by means of postal or electronic correspondence, as well as by any other means of long-distance communication, provided that they adequately guarantee the authenticity and identification of the voting shareholders and, if applicable, duly ensure the security of the electronic communications. In all such cases, they shall be deemed to be present for purposes of the establishment of a quorum at the General Shareholders' Meeting.*
2. *In order to vote by postal correspondence, shareholders must send to the Company the attendance, proxy, and absentee voting card issued in their favour by the corresponding institution, setting forth thereon the direction of their vote, their abstention, or their blank vote, and the direction of the vote in these cases.*
3. *Votes by electronic correspondence shall be cast using a recognised electronic signature or using the personal passwords referred to in letter c of article 19.2 above or other type of guarantee that the Board of Directors deems best ensures the authenticity and identification of the voting shareholder.*
4. *Votes cast by any of the means set forth in the preceding sections must be received by the Company before 24:00 on the day immediately prior to the day set for the holding of the General Shareholders' Meeting upon first call or upon second call, as applicable.*

5. *The absentee voting referred to in this article shall be rendered void:*

 - a) *By subsequent express revocation made by the same means used to cast the vote and within the period established for such voting.*
 - b) *By attendance at the meeting of the shareholder casting the vote.*
 - c) *If the shareholder validly grants a proxy within the established period after the date of casting the absentee vote.*

6. *If no express instructions are included when casting the absentee vote, or if instructions are included only with respect to some of the items on the agenda of the call to meeting, and unless expressly indicated otherwise by the shareholder, it shall be deemed that the absentee vote refers to all of the items included in the agenda of the call to the General Shareholders' Meeting and that the vote is in favour of the proposals made by the Board of Directors regarding the items included in the agenda of the call to meeting with respect to which no express instructions are included.*
7. *As regards proposed resolutions other than those submitted by the Board of Directors or regarding items not included in the agenda of the call to meeting, the shareholder casting an absentee vote may grant proxy representation through any of the means contemplated in these Regulations, in which case the rules established for such purpose shall apply to the proxy, which shall be deemed granted to the chairman of the Board of Directors unless expressly indicated otherwise by the shareholder.*
8. *The Board of Directors is authorised to develop the appropriate rules, means, and procedures to organise the casting of votes and the granting of proxies by electronic means.*

Specifically, the Board of Directors may establish rules for the use of personal passwords and other guarantees other than electronic signatures for casting electronic votes or by other valid means of long-distance communication and to grant proxies by electronic correspondence. It may also reduce the advance period established in section 4 above for receipt by the Company of absentee votes and proxies granted by postal or electronic correspondence, and accept, and authorise the chair of and the secretary for the General Shareholders' Meeting and the persons acting by delegation therefrom to accept, absentee votes and proxies received after such period, to the extent permitted by the means available.

The Board of Directors is also authorised to further develop the procedures for granting proxies and for absentee voting in general, including the rules of priority and conflict applicable thereto. The implementing rules adopted by the Board of Directors under the provisions of this section shall be published on the Company's corporate website.

The chairman and the secretary of the Board of Directors or the chair of and the secretary for the General Shareholders' Meeting, from the constitution thereof, and the persons acting by delegation therefrom, shall have the broadest powers to verify the identity of the shareholders and their representatives; check the legitimacy of the exercise of the rights of attendance, proxy-granting, and voting by the shareholders and their representatives; check and accept the validity and effectiveness of the proxies and absentee votes (particularly the attendance, proxy, and absentee voting card or verification document or instrument for attendance or proxy-granting), as well as the validity and effectiveness of the instructions received through intermediary and management institutions or depositaries of shares, all in accordance with the provisions set forth in the Company's Corporate Governance System and in the rules that the Board of Directors may establish in order to further develop such provisions."

ITEM NUMBER NINE ON THE AGENDA

Appointment of Mr Juan Manuel González Serna as independent director.

RESOLUTION

To appoint Mr Juan Manuel González Serna as director of the Company, upon a proposal of the Appointments Committee, for the by-law mandated four-year term, with the status of independent director.

ITEM NUMBER TEN ON THE AGENDA

Appointment of Mr Francisco Martínez Córcoles as executive director.

RESOLUTION

To appoint Mr Francisco Martínez Córcoles as director of the Company, after a report from the Appointments Committee, for the by-law mandated four-year term, with the status of executive director.

ITEM NUMBER ELEVEN ON THE AGENDA

Approval of the proposed allocation of profits/losses and distribution of dividends for financial year 2016.

RESOLUTION

To approve the proposed allocation of profits/losses and distribution of dividends prepared by the Board of Directors at its meeting held on 21 February 2017, which is described below:

To distribute, with a charge to the results for the financial year ended on 31 December 2016, 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 2017.

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:	5,400,881,539
Profits for financial year 2016:	1,410,966,043

TOTAL:	6,811,847,582
---------------	----------------------

DISTRIBUTION:

To legal reserve:	10,726,050
-------------------	------------

To dividends (maximum amount to distribute corresponding to a fixed dividend of 0.03 euro (gross) per share for all of the 6,459,990,000 ordinary shares outstanding on the date hereof):	193,799,700
---	-------------

To remainder:	6,607,321,832
---------------	---------------

TOTAL:	6,811,847,582
---------------	----------------------

ITEM NUMBER TWELVE ON THE AGENDA

Approval of an increase in capital by means of a scrip issue at a maximum reference market value of 1,032 million euros.

RESOLUTION

In order to implement a new edition of the "Iberdrola Flexible Dividend" system, to increase share capital upon the terms and conditions described in the section "Common Terms and Conditions of the increase in capital resolutions proposed under item numbers twelve and thirteen on the agenda" below, at a maximum reference market value of 1,032 million euros for the shares to be issued in implementation of said increase.

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.

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.

This increase in capital is expected to be implemented during the month of July 2017.

ITEM NUMBER THIRTEEN ON THE AGENDA

Approval of an increase in capital by means of a scrip issue at a maximum reference market value of 1,168 million euros.

RESOLUTION

In order to implement a new edition of the "Iberdrola Flexible Dividend" system, to increase share capital upon the terms and conditions described in the section "*Common Terms and Conditions of the increase in capital resolutions proposed under item numbers twelve and thirteen on the agenda*" below, at a maximum reference market value of 1,168 million euros for the shares to be issued in implementation of said increase.

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.

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.

This increase in capital can be expected to be implemented during the month of December 2017 or January 2018.

TERMS COMMON TO THE INCREASE IN CAPITAL RESOLUTIONS PROPOSED UNDER ITEM NUMBERS TWELVE AND THIRTEEN ON THE AGENDA IN ORDER TO IMPLEMENT TWO NEW EDITIONS OF THE "IBERDROLA FLEXIBLE DIVIDEND" SYSTEM

1. Principal Characteristics of the Two Increases in Capital

The amount of each of the two increases in capital (the "**Increases in Capital**" and each the "**Increase in Capital**") being submitted to the shareholders for approval at the General Shareholders' Meeting under item numbers twelve and thirteen on the agenda 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 two 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 reference market value of the New Shares corresponding to each of the Increases in Capital may not exceed the maximum reference market values of 1,032 million euros in the case of the increase in capital submitted for the approval of the shareholders at the General Shareholders' Meeting under item number twelve on the agenda, and of 1,168 million euros in the case of the increase in capital appearing in item number thirteen on the agenda.

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 the resolutions included in items twelve and thirteen on the agenda, 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 remuneration 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:

$$\text{NNS} = \text{TNShrs.} / \text{Num. rights}$$

where:

NNS = Number of New Shares to be issued within the framework of the relevant Increase in Capital;

TNShrs. = 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; and

Num. rights = 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:

$$\text{Num. rights} = \text{TNShrs.} / \text{Provisional number of shares}$$

where:

Provisional number of shares = Amount of the Option / 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 the proposed increase in capital resolutions submitted for the approval of the shareholders at the General Shareholders' Meeting under item numbers twelve and thirteen on the agenda (i.e. 1,032 and 1,168 million 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 pursuant to the securities settlement and payment rules from time to time in effect.

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 set forth 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 free-of-charge allocation rights, as is established by the Board of Directors, with express power of substitution. For such purposes, it is hereby resolved to authorise the acquisition by the Company of 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 the securities settlement and payment rules from time to time in effect, 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:

$$\text{Purchase Price} = \text{ListPri} / (\text{Num. rights} + 1)$$

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 2016, 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).

11. Delegation of Powers for the Implementation of the Increases in Capital

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 fulfil 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 amount of share capital and the number of outstanding shares resulting from the implementation of the relevant Increase 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 Spanish or foreign public or private entities or agencies, 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 FOURTEEN ON THE AGENDA

Approval of a reduction in share capital by means of the retirement of 219,990,000 own shares (3.41% of the share capital). Delegation of powers for the implementation thereof.

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:

- i. 141,715,734.75 euros, through the retirement of 188,954,313 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
- ii. the aggregate nominal value, up to the maximum amount of 23,276,765.25 euros, of the own shares of the Company, each with a nominal value of seventy-five euro cents, up to a maximum of 31,035,687 own shares, that are acquired for their retirement under the buy-back programme in effect until no later than 31 May 2017 approved by the Board of Directors on 21 February 2017 under the provisions of *Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse* and *Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures* (the "**Buy-back Programme**").

Consequently, the maximum amount of the reduction in capital (the "**Reduction in Capital**") will be 164,992,500.00 euros, through the retirement of a maximum of 219,990,000 own shares, each with a nominal value of seventy-five euro cents, representing not more than 3.41% 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 21 February 2017, the Company may acquire a maximum number of 31,035,687 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 0.48% 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 subject to such terms as to price and volume as are established in article 5 of *Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse* and in *Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures*.

In accordance with the foregoing, pursuant to section 340.3 of the *Companies Act*, if the Company fails to acquire the maximum number of 31,035,687 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 within the framework of 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 *Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse* and in *Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures*, 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 within the framework and the effective period thereof, 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 *Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse* and in *Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures*.
- (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 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 Spanish or foreign public or private 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 referred to in this resolution.

ITEM NUMBER FIFTEEN ON THE AGENDA

Approval of a strategic bonus for the executive directors and management personnel linked to the Company's performance for the 2017-2019 period, to be paid through the delivery of shares. Delegation of powers for the further development and implementation thereof.

RESOLUTION

To approve, pursuant to the provisions of section 219 of the *Companies Act* and article 48.4 of the *By-Laws* of IBERDROLA, S.A. (the "**Company**"), the establishment of a strategic bonus to be paid by means of the delivery of shares of the Company and directed towards the executive directors, senior officers, and other management personnel of the Company and of its subsidiaries (the "**2017-2019 Strategic Bonus**"), in accordance with the following terms:

1. Description

The 2017-2019 Strategic Bonus is configured as a long-term incentive tied to the Company's performance with respect to the Strategic Plan approved by the Board of Directors and submitted on 24 February 2016. The Company's performance with respect to this plan at 31 December 2019 will be evaluated based on the following parameters, which present a challenging scenario for a company that continues with its profitable growth, is financially sound and committed to the environment, the fight against climate change, and sustainable growth:

- (a) Cumulative annual average growth in net profit during the 2017-2019 period above 5%, calculated as from the close of financial year 2016. It shall be deemed that this goal is not met if such growth does not improve on the results from 2016.
- (b) Total shareholder return during the 2017-2019 period greater than total shareholder return for the EUROSTOXX UTILITIES INDEX. It shall be deemed that this goal is not met if total shareholder return is 5 percentage points less than the return for the EUROSTOXX UTILITIES INDEX. It shall be deemed that it is fully met if it is 5 percentage points above.
- (c) Maintenance of financial strength through the FFO/net debt ratio. It shall be deemed that this goal is not met if such ratio decreases below the figure for year-end 2016.
- (d) Reduction in average CO2 emissions intensity in line with United Nations Sustainable Development Goals (SDGs) 7 and 13. It shall be deemed that the goal is met if a 5% reduction is obtained in the average intensity of emissions for the 2017-2019 period compared to the average for the 2014-2016 period. It shall be deemed that this goal is not met if the average intensity is not decreased.

Each of these parameters will have a specific weighting of 30% for the first and second parameters and 20% for the third and fourth parameters in the overall evaluation of performance during the 2017-2019 period.

2. Beneficiaries

The 2017-2019 Strategic Bonus is intended for the executive directors, the senior officers, and the other officers of the Company and its group included in the 2017-2019 Strategic Bonus during the term thereof pursuant to the resolutions adopted by the Board of Directors in implementation thereof, with a maximum of 300 beneficiaries.

3. Amount

The maximum number of shares to be delivered to the beneficiaries of the 2017-2019 Strategic Bonus as a whole shall be 14,000,000 shares, equal to 0.22% of the share capital at the time of adoption of this resolution, with a maximum of 2,500,000 shares corresponding to all executive directors at any particular time.

4. Term of the 2017-2019 Strategic Bonus

The 2017-2019 Strategic Bonus has a term of six years, within which the period between financial years 2017 and 2019 shall be the performance level evaluation period with respect to the targets to which the 2017-2019 Strategic

Bonus is linked and the period between financial years 2020 and 2022 shall be the payment period, with payment to be made by means of the delivery of shares on a deferred basis over such three-year period.

5. Evaluation, Payment, Cancellation, and Reimbursement

The Board of Directors, after a report from the Remuneration Committee, shall evaluate the performance of the Company regarding the goals listed in section 1 of this resolution.

The reference parameters mentioned in said section are formulated based on the current situation and circumstances of the Company. In this connection, in order to engage in a proper overall evaluation of performance, any circumstances occurring after the approval of this 2017-2019 Strategic Bonus that have a material impact on the Strategic Plan or on the main economic/financial variables of the Company (corporate transactions, mergers, split-offs, acquisitions, extraordinary dividends, etc.) must be taken into account.

At the end of the evaluation period, the 2017-2019 Strategic Bonus shall accrue annually and in equal parts, during the first half of 2020 and during the first quarter of 2021 and 2022. Each annual accrual and the corresponding payment thereof must be approved by the Board of Directors, after a report from the Remuneration Committee. In this connection, during 2021 and 2022 and for each delivery of shares there will be an evaluation of whether to confirm or cancel, totally or partially, the payment corresponding to each financial year, and, if applicable, to claim the complete or partial reimbursement of the shares already delivered (or the amount thereof in cash) in the event of a material restatement of the financial statements on which the Board based the evaluation of the performance level, provided that said restatement is confirmed by the external auditors and is not due to a change in accounting rules.

Executive directors who are beneficiaries of the 2017-2019 Strategic Bonus may not transfer the shares delivered for a period of three years unless they are the direct or indirect owners of a number of shares equal to two times their annual fixed remuneration.

6. Delegation of Powers

To delegate to the Board of Directors, with express power of substitution, the powers necessary to implement, develop, formalise, execute, and pay the 2017-2019 Strategic Bonus, adopting any resolutions and signing any public or private documents that may be necessary or appropriate for the full effectiveness thereof, including the power to correct, rectify, amend, or supplement this resolution. Specifically, and only by way of example, the following powers are delegated to the Board of Directors, with express power of substitution:

- (a) To designate the beneficiaries of the 2017-2019 Strategic Bonus, whether at the time of the establishment thereof or subsequent thereto, determine the allocations of "theoretical shares", and revoke, if and when appropriate, any designations or allocations previously made.
- (b) To establish the terms and conditions of the 2017-2019 Strategic Bonus as to all matters not provided for in this resolution within the framework of the existing contracts with the executive directors, senior officers, and other beneficiaries.
- (c) To formalise and implement the 2017-2019 Strategic Bonus in the manner it deems appropriate, taking all actions required for the best implementation thereof.
- (d) To draft, sign, and submit to any public or private entity any notices and documents, whether public or private, that may be necessary or appropriate for the implementation and execution of the 2017-2019 Strategic Bonus.
- (e) To take any action, make any statement, or carry out any proceedings at any public or private body, entity or registry in order to obtain any authorisation or verification necessary to implement and execute the 2017-2019 Strategic Bonus.
- (f) If applicable, to designate the banking institution or institutions that are to provide services to the Company in connection with the formalisation and administration of the 2017-2019 Strategic Bonus, and to negotiate, agree upon, and sign the relevant contracts with the banking institution or institutions thus selected, as well as such other contracts or agreements as may be appropriate with any other entities and, if applicable, with the beneficiaries, for the implementation and execution of the 2017-2019 Strategic Bonus, upon such terms and conditions as it deems appropriate.
- (g) To evaluate the level of performance with respect to the targets to which the 2017-2019 Strategic Bonus is tied and proceed with the payment thereof, for which purposes it may seek the advice of an independent expert, where appropriate.

- (h) And, in general, to perform all such acts and sign all such documents as may be necessary or appropriate for the validity, effectiveness, implementation, development, execution, payment, and proper completion of the 2017-2019 Strategic Bonus.

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 SIXTEEN ON THE AGENDA

Consultative vote regarding the *Annual Director Remuneration Report* for financial year 2016.

RESOLUTION

To approve, on a consultative basis, the *Annual Director Remuneration Report* for financial year 2016, 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.

ITEM NUMBER SEVENTEEN ON THE AGENDA

Authorisation to the Board of Directors to issue simple debentures and other fixed-income securities that are neither exchangeable for nor convertible into shares, as well as to guarantee the issue of securities by the Company's subsidiaries, with a limit of 6,000 million euros for notes and of 20,000 million euros for other fixed-income securities.

RESOLUTION

1. Authorisation to the Board of Directors to Issue Securities

To authorise the Board of Directors to issue simple bonds or debentures, notes, and other similar fixed-income securities that are neither exchangeable for nor convertible into shares.

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

- (a) The maximum net total amount of the simple bonds or debentures and other similar fixed-income securities (other than notes) issued under this authorisation may not exceed 20,000 million euros or the equivalent thereof in another currency. This limit is independent of the limit established in paragraph b) below.
- (b) For its part, the maximum net total amount of notes issued under this authorisation may not exceed 6,000 million euros or the equivalent thereof in another currency. This limit is independent of the limit established in paragraph a) above.

To determine whether each of said limits has been reached, the amounts corresponding to retirements or repurchases made or occurring during the effective period thereof will be deducted from the new issues approved under this authorisation.

4. Scope

For each issue, the Board of Directors shall be responsible for determining, among other things: the nominal value, the issue price, the repurchase price, the currency, the form of representation, the interest rate, the repayment terms, the subordination clauses, the security, the place of the issue, any applicable law, the setting of the internal rules for the bondholders' syndicate, and the appointment of the representative in the case of an issue of simple debentures or bonds, when required, as well as the taking of any steps necessary for the implementation of the specific issues approved under this authorisation.

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 issues effected under this authorisation.

5. Admission to Trading

The Company shall, when appropriate, make application for trading of the securities issued within the framework of 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 by law, to carry out all acts and formalities that may be required for these purposes with the appropriate authorities of the various domestic or foreign securities markets.

It is expressly stated for the record that if application is subsequently made for the exclusion from trading of the securities issued by the Company under this authorisation, it shall be made in compliance with the same formalities as the application for admission, to the extent any such formalities are required, and in such case, the interests of the shareholders or debenture-holders opposing or not voting on 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 trading, and removal from trading.

6. Guarantee in Support of Issues of Fixed-Income Securities

The Board of Directors is also authorised to guarantee on behalf of the Company and within the limits set forth above new issues of securities effected by subsidiaries during the effective period of this resolution.

7. Power of Substitution

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

8. Revocation of Current Authorisation

This resolution deprives of effect, to the extent of the unused amount, the authorisation to issue simple debentures or bonds and other similar fixed-income securities, including notes, granted for this purpose to the Board of Directors by the shareholders at the General Shareholders' Meeting held on 22 June 2012, expressly maintaining such authorisation in effect to the extent of the amount already utilised for the issue of securities and the provision of guarantees with respect to said issues and guarantees.

ITEM NUMBER EIGHTEEN ON THE AGENDA

Delegation of powers for the formalisation and conversion into a public instrument of the resolutions adopted.

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 under law, may formalise and convert into a public instrument 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 the members of the Board of Directors all or part of the powers of the Board of Directors that they deem appropriate from among those vested in this body and those that have been expressly granted to them by the shareholders acting at this General Shareholders' Meeting, whether jointly or severally.

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, as well as formalise the required documents, 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.