



General Shareholders' Meeting

Adopted Resolutions / 2018



Take care of the environment. Print only if necessary

ITEM NUMBER ONE ON THE AGENDA

Approval of the annual accounts for financial year 2017.

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 2017, which were formulated by the Board of Directors at its meeting held on 20 February 2018.

ITEM NUMBER TWO ON THE AGENDA

Approval of the management reports for financial year 2017.

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 2017, which were formulated by the Board of Directors at its meeting held on 20 February 2018.

ITEM NUMBER THREE ON THE AGENDA

Approval of the management and activities of the Board of Directors during financial year 2017.

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 2017.

ITEM NUMBER FOUR ON THE AGENDA

RESOLUTION

Appointment of Mr Anthony L. Gardner as independent director.

To appoint Mr Anthony Luzzatto Gardner as director, upon the proposal of the Appointments Committee, for the by-law mandated four-year term, with the classification of independent director.

ITEM NUMBER FIVE ON THE AGENDA

Re-election of Ms Georgina Kessel Martínez as independent director.

RESOLUTION

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

ITEM NUMBER SIX ON THE AGENDA

Approval of the proposed allocation of profits/losses and distribution of dividends for financial year 2017, the supplementary payment of which will be made within the framework of the "Iberdrola Flexible Remuneration" system.

RESOLUTION

To approve the proposed allocation of profits/losses and distribution of dividends for financial year 2017 formulated by the Board of Directors at its meeting held on 20 February 2018, which is described below:

To distribute, with a charge to the results of the financial year ended 31 December 2017, a dividend in the aggregate gross amount that will be equal to the sum of the following amounts (the "Dividend"):

- a) 8,220,427.60 euros, which were paid on account of the dividend for financial year 2017 on 29 January 2018 to the holders of 58,717,340 shares of IBERDROLA, S.A. (the "**Company**" or "**Iberdrola**") who elected to receive their remuneration in cash within the framework of the second implementation of the "Iberdrola Flexible Dividend" system for financial year 2017 by collecting an amount of 0.140 euro (gross) per share (the total amount paid to said holders will be referred to as the "**Total Interim Dividend**"); and
- b) the determinable amount resulting from multiplying:
 - i. the gross amount per share to be distributed by the Company as a supplementary dividend payment within the framework of the first implementation of the "Iberdrola Flexible Remuneration" system for financial year 2018 (the "**Supplementary Dividend**"), and which will be equal to the Cash Remuneration (as this term is defined in the section "*Common Terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number six, seven and eight on the agenda, by virtue of which the "Iberdrola Flexible Remuneration" system is implemented, hereinafter, the "Common Terms"*"); by
 - ii. the total number of shares with respect to which the holders thereof have elected to receive their remuneration in cash within the framework of said implementation.

The Cash Remuneration cannot be determined as of the date of formulation of this proposed resolution, for which reason the amount of the Supplementary Dividend and therefore the amount of the Dividend cannot be determined.

For the purposes hereof, it is hereby noted that the payment of the Supplementary Dividend shall be implemented together with the implementation of the increase in capital submitted for approval of the shareholders at the General Shareholders' Meeting under item number seven on the agenda, in order to offer the shareholders the ability to receive their remuneration in cash (by collecting the Supplementary Dividend) or in newly-issued bonus shares of the Company (through said increase in capital).

The collection of the Supplementary Dividend provided for in this resolution is thus configured, in accordance with the provisions of the Common Terms, as one of the alternatives that a shareholder can choose when receiving their remuneration in the first implementation of the "Iberdrola Flexible Remuneration" system for financial year 2018. As a result of the foregoing, and as described below in the Common Terms, it shall be deemed that those shareholders choosing to receive their remuneration in cash through the Supplementary Dividend with respect to all or part of their shares expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares and the ability to transfer them on the market.

The distribution of the Supplementary Dividend, which is expected to take place during the month of July 2018, shall be implemented through the participants in "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal" (IBERCLEAR), the Board of Directors being hereby authorised to establish the specific date for payment of the Supplementary 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 Board of Directors is also delegated the power to set the conditions applicable to the payment of the Supplementary Dividend to the extent not provided for in this resolution, including the determination of the specific gross amount of the Supplementary Dividend subject to the aforementioned rules.

Finally, 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.

The basis for distribution and the resulting proposed distribution (expressed in euros) is as follows:

BASIS FOR DISTRIBUTION:

Balance from prior financial years:	6,614,049,754
Profits for financial year 2017:	1,598,870,975

TOTAL: **8,212,920,729**

DISTRIBUTION:

To Dividend:	Amount pending determination which will result from adding: (a) the Total Interim Dividend, and (b) the product resulting from multiplying the Supplementary Dividend by the total number of shares with respect to which the holders thereof have elected to receive their remuneration in cash within the framework of
--------------	--

the first implementation of the "Iberdrola Flexible Remuneration" system.

To remainder:

Determinable amount that will result from subtracting the amount allocated to the legal reserve and the amount allocated to the Dividend from the total basis for distribution.

TOTAL:

8,212,920,729

On the date that the Board of Directors (or the body acting by delegation therefrom) decides to implement the increase in capital that is being submitted for approval of the shareholders at the General Shareholders' Meeting under item number seven on the agenda (and therefore, to commence the first implementation of the "Iberdrola Flexible Remuneration" system for financial year 2018), the minimum amount of the Cash Remuneration (which shall be equal to the minimum amount of the Supplementary Dividend) shall be announced. The final amount of the Cash Remuneration shall be communicated as soon as the Board of Directors (or the body acting by delegation therefrom) determines it in accordance with the provisions of the Common Terms. Such final amount shall be equal to the Supplementary Dividend. Furthermore, once the first implementation of the "Iberdrola Flexible Remuneration" system for financial year 2018 is completed, the Board of Directors, with express power of substitution, shall proceed to specify the aforementioned proposed distribution, determining the final amount of the Dividend and the amount to be allocated to remainder.

The Common Terms include a sample calculation of the Cash Remuneration (and thus the Supplementary Dividend), among other figures relating to the implementation of the increase in capital submitted for approval of the shareholders at the General Shareholders' Meeting under item number seven on the agenda.

ITEM NUMBER SEVEN ON THE AGENDA

Approval of a first increase in capital by means of a scrip issue at a maximum reference market value of 1,310 million euros in order to implement the "Iberdrola Flexible Remuneration" system.

RESOLUTION

To increase the share capital of IBERDROLA, S.A. (the "**Company**" or "**Iberdrola**") upon the terms and conditions described in the section below, entitled "*Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number six, seven and eight on the agenda, pursuant to which the "Iberdrola Flexible Remuneration" system is implemented*" (the "**Common Terms**"), at a maximum reference market value of 1,310 million euros for the shares to be issued in implementation of said increase.

The increase in capital shall be implemented together with the supplementary payment of the dividend submitted for approval of the shareholders at the General Shareholders' Meeting under item six on the agenda, in order to offer the shareholders the ability to receive their remuneration in cash (receiving said supplementary payment of the dividend) or in newly-issued bonus shares of the Company (through the increase in capital). The delivery of bonus shares issued within the context of the increase in capital is thus configured as one of the alternatives that a shareholder can choose when receiving their remuneration, pursuant to the provisions of the Common Terms.

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 together with the supplementary payment of the dividend contemplated in item number six on the agenda during the month of July 2018.

ITEM NUMBER EIGHT ON THE AGENDA

Approval of a second increase in capital by means of a scrip issue at a maximum reference market value of 1,140 million euros in order to implement the "Iberdrola Flexible Remuneration" system.

RESOLUTION

To increase the share capital of IBERDROLA, S.A. (the "**Company**" or "**Iberdrola**") upon the terms and conditions described in the section below, entitled "*Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number six, seven and eight on the agenda, pursuant to which the "Iberdrola Flexible Remuneration" system is implemented*" (the "**Common Terms**"), at a maximum reference market value of 1,140 million euros for the shares to be issued in implementation of said increase.

The increase in capital is expected to be implemented together with the payment of the interim dividend amount for financial year 2018, if any, to be approved by the Company's Board of Directors (the "**Interim Dividend**") in order to offer the shareholders the ability to receive their remuneration in cash (by collecting the Interim Dividend) or in newly-issued bonus shares of the Company (through the increase in capital). The delivery of bonus shares issued within the context of the increase in capital is thus configured as one of the alternatives that a shareholder can choose when receiving their remuneration, pursuant to the provisions of the Common Terms.

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 together with the Interim Dividend payment during the month of December 2018 or January 2019.

COMMON TERMS AND CONDITIONS OF THE DIVIDEND DISTRIBUTION AND INCREASE IN CAPITAL RESOLUTIONS PROPOSED UNDER ITEMS NUMBER SIX, SEVEN AND EIGHT ON THE AGENDA, BY VIRTUE OF WHICH THE "IBERDROLA FLEXIBLE REMUNERATION" SYSTEM IS IMPLEMENTED

1. Main Characteristics of the new "Iberdrola Flexible Remuneration" Shareholder Remuneration System

The purpose of the dividend distribution and increase in capital resolutions proposed under items number six, seven and eight on the agenda is to implement the new "Iberdrola Flexible Remuneration" system pursuant to which the shareholders of IBERDROLA, S.A. (the "**Company**" or "**Iberdrola**") are offered the ability to receive their remuneration in cash or through the delivery of newly-issued shares.

For this purpose, there shall be two implementations of the "Iberdrola Flexible Remuneration" system in each of which one dividend payment shall be made (each, a "**Dividend Payment**", and collectively, the "**Dividend Payments**") along with the implementations of the increases in capital (the "**Increases in Capital**" and each of them, an "**Increase in Capital**") submitted for approval of the shareholders at the General Shareholders' Meeting under items number seven and eight on the agenda:

- (i) The first implementation of the "Iberdrola Flexible Remuneration" system, which is expected to take place during the month of July 2018 (the "**First Implementation**"), shall be carried out through the supplementary payment of the dividend contemplated in item number six on the agenda (the "**Supplementary Dividend**") together with the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders' Meeting under item number seven on the agenda.
- (ii) The second implementation of the "Iberdrola Flexible Remuneration" system, which is expected to take place during the months of December 2018 or January 2019 (the "**Second Implementation**", and collectively with the First Implementation, the "**Implementations**" and each of the Implementations, individually, an "**Implementation**"), shall be carried out through the payment of an interim amount of the dividend for financial year 2018 (the "**Interim Dividend**") to be approved, if appropriate, by the Board of Directors pursuant to the provisions of section 2.2 below, together with the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders' Meeting under item number eight on the agenda.

The Supplementary Dividend and the Interim Dividend shall hereinafter be referred to collectively as the "**Dividends**" and each of the Dividends individually as a "**Dividend**".

In each of the Implementations, the shareholders shall be offered the ability to receive their remuneration in cash

(through the collection of the Supplementary Dividend or the Interim Dividend), in newly-issued bonus shares of the Company (through the Increases in Capital) or through a combination of both alternatives, without prejudice to the ability to transfer the free-of-charge allocation rights on the market in accordance with the provisions of these resolutions. The final amount of each of the Dividend Payments and of each of the Increases in Capital shall be determined within the context of each of the Implementations and pursuant to the provisions of the sections below.

Within the year following the date of approval of the resolutions included in items number six, seven and eight on the agenda, each of the Implementations may be made 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 based on the legal and financial conditions existing at the time of each of the Implementations, in order to offer the Company's shareholders a flexible and efficient remuneration formula.

In each of the Increases in Capital, the shareholders may choose from among the following options upon the terms and conditions established by the Board of Directors.

- (a) Receiving their remuneration in cash by collecting the Dividend in question (whether with respect to all of their shares or a portion thereof), for which purpose the shareholders shall be required to make an express election in this regard.
- (b) Receiving their remuneration by delivery of newly-issued bonus shares. To this end, they must refrain from transferring their free-of-charge allocation rights on the market. In this case, at the end of the trading period for the free-of-charge allocation rights, the shareholders shall receive such number of new shares (as they are proportionately entitled to receive), entirely as bonus shares.
- (c) Transferring all or part of their free-of-charge allocation rights on the market during the trading period pursuant to the provisions of section 5 below.

The shareholders may only elect remuneration option (a) during the "**Common Election Period**". The Common Election Period will begin on the same day as the trading period for the free-of-charge allocation rights, and the Board of Directors (with express power of substitution) must establish the specific term of the Common Election Period, which may in no event exceed the term of said trading period.

Based on their preferences and needs, the Company's shareholders may combine any of the alternatives mentioned in paragraphs (a) through (c) above. In any event, the election of remuneration option (a) automatically excludes the ability to choose option (c) regarding the same shares, and vice versa.

It is hereby stated that, as a new development, in the editions of the "Iberdrola Flexible Remuneration" system to be implemented by virtue of this resolution, the shareholders will not be offered the ability to transfer all or part of their free-of-charge allocation rights to Iberdrola at a guaranteed fixed price (which is different from what occurred under the traditional remuneration system called "Iberdrola Flexible Dividend" or "Scrip Dividend"). This is because the Company's shareholders will have the option to receive the Dividends as an alternative to the delivery of bonus shares of the Company or the transfer of the free-of-charge allocation rights on the market, thus having the ability to choose to receive their remuneration in cash if they so desire.

As the only exception to the foregoing, it is proposed that if the requirements of section 277 of the Companies Act are not met within the framework of the Second Implementation in order to distribute the Interim Dividend, the traditional "Iberdrola Flexible Dividend" remuneration system will apply, with the Company making an irrevocable commitment to acquire the free-of-charge allocation rights arising from the second Increase in Capital at a guaranteed fixed price upon the terms and conditions described below (the "Purchase Commitment" and the "Fixed Purchase Price", respectively). In this case, the shareholders may monetise their free-of-charge allocation rights by transferring them to the Company at the Fixed Purchase Price and thus receive a cash amount equal to the one that the Company would have distributed as the Interim Dividend.

2. Amount of the Dividends

2.1. Gross amount per share to be distributed to the shareholders as the Supplementary Dividend in the First Implementation

The gross amount to be distributed as the Supplementary Dividend for each share of Iberdrola with the right to receive it shall be determined within the context of the First Implementation by the Board of Directors, with express powers of substitution, subject to the terms and conditions set forth in item number six on the agenda and in this section (the "**Supplementary Dividend per Share**"). In particular, the amount of the Supplementary Dividend per Share must be equal to the Cash Remuneration (as this term is defined below).

During the Common Election Period for the First Implementation, the Company's shareholders shall have the ability to expressly choose to receive the Supplementary Dividend per Share with respect to all or part of the shares they own

and that are outstanding on the relevant date upon the terms set by the Board of Directors, with express power of substitution, and pursuant to applicable securities clearing and settlement rules. If they choose to receive the Supplementary Dividend per Share with respect to all or part of their shares, the shareholders shall expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares.

After the Common Election Period, the Board of Directors, with express power of substitution, shall determine the aggregate gross amount in euros corresponding to the Dividend Payment from the First Implementation and shall make payment thereof through the participants in "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 on which the Dividend Payment should occur, 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 Dividend Payment. Furthermore, after calculating said aggregate gross amount corresponding to the Dividend Payment for the First Implementation, the Board of Directors (with express power of substitution) shall, if applicable, rescind the resolution on distribution of the Supplementary Dividend with respect to the amounts that were not distributed to those shareholders who elected (expressly or implicitly) to receive new shares of the Company or who have sold their free-of-charge allocation rights on the market.

The free-of-charge allocation rights acquired on the market during the trading period established for this purpose by the Board of Directors shall not give the acquiring parties the right to choose to receive the Supplementary Dividend per Share. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market, or alternatively receive the new bonus shares to which they are entitled.

2.2. Gross amount per share to be distributed to the shareholders as the Interim Dividend in the Second Implementation

The gross amount to be distributed as the Interim Dividend, if any, for each share of Iberdrola with the right to receive it shall be as determined by the Board of Directors pursuant to the corresponding resolution to be adopted prior to 31 December 2018 and pursuant to the provisions of section 277 of the *Companies Act* (the "Interim Dividend per Share").

During the Common Election Period for the Second Implementation, the Company's shareholders shall have the ability to expressly choose to receive the Interim Dividend per Share with respect to all or part of the shares they own and that are outstanding on the relevant date upon the terms set by the Board of Directors and pursuant to applicable securities clearing and settlement rules. If they choose to receive the Interim Dividend per Share with respect to all or part of their shares, the shareholders shall waive the free-of-charge allocation rights corresponding to said shares.

After the Common Election Period, the Board of Directors shall determine the aggregate gross amount in euros corresponding to the Dividend Payment from the Second Implementation and shall make payment thereof through the participants in "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal" (IBERCLEAR). To this end, the Board of Directors shall establish the specific date on which the Dividend Payment should occur, shall designate the entity that is to act as paying agent, and shall take such other steps as may be required or appropriate for the successful completion of the Dividend Payment. Furthermore, after calculating said aggregate gross amount corresponding to the Dividend Payment for the Second Implementation, the Board of Directors (with express power of substitution) shall, if applicable, rescind the resolution on distribution of the Interim Dividend with respect to the amounts that were not distributed to those shareholders who elected (expressly or implicitly) to receive new shares of the Company or who have sold their free-of-charge allocation rights to third parties on the market.

The free-of-charge allocation rights acquired on the market during the trading period established for this purpose by the Board of Directors shall not give the acquiring parties the right to choose to receive the Interim Dividend per Share. Therefore, the new holders of these rights may only monetise their remuneration through the sale thereof on the market, or alternatively receive the new bonus shares to which they are entitled.

Without prejudice to the foregoing, if the requirements of section 277 of the *Companies Act* are not met within the framework of the Second Implementation in order to distribute the Interim Dividend, there will be a reversion to the traditional "Iberdrola Flexible Dividend" remuneration system, with the Company making a Purchase Commitment in order for the shareholders to be able to monetise their free-of-charge allocation rights by transferring them to the Company at the Fixed Purchase Price upon the terms and conditions described in section 3 below.

3. Purchase Commitment within the Framework of the Second Implementation

If the requirements of section 277 of the *Companies Act* are not met to distribute the Interim Dividend within the framework of the Second Implementation, said Implementation shall return to the traditional "Iberdrola Flexible Dividend" system in order to ensure that the shareholders can receive all or part of their remuneration in cash. As a result of the foregoing, the Company assumes the Purchase Commitment if said circumstance occurs. As soon as the

Company verifies that the requirements of section 277 of the *Companies Act* are not met, it shall communicate this circumstance to the market.

The Fixed Purchase Price shall be calculated by applying the formula used to determine the Cash Remuneration, such that the amount that would be received by shareholders choosing this option would be equal to the amount they would have received if it had been possible to distribute the Interim Dividend. The Fixed Purchase Price shall be calculated prior to the commencement of the trading period for the free-of-charge allocation rights of the second Increase in Capital and shall be published as soon as it is determined.

The Purchase Commitment assumed by the Company shall cover 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 pursuant to the securities clearing and settlement rules from time to time in effect, but excluding those rights that have been transferred on the market.

The Purchase Commitment shall be in effect and may be accepted during such term as is established for these purposes by the Board of Directors (with express power of substitution), and which must in any case be included within the trading period for the free-of-charge allocation rights.

For these purposes, the Company is authorised to acquire said free-of-charge allocation rights, with a maximum limit of all rights issued in relation to the second Increase in Capital, but must in any case comply with applicable legal restrictions from time to time in effect.

The acquisition by the Company of the free-of-charge allocation rights as a result of the Purchase Commitment shall be carried out with a charge to the reserves contemplated in section 303.1 of the *Companies Act*.

The Company shall waive the new shares corresponding to the free-of-charge allocation rights that it has acquired by application of the Purchase Commitment. In such an event, there will be an incomplete allocation of the Increase in Capital corresponding to the Second Implementation, and share capital shall be increased solely by the amount corresponding to the free-of-charge allocation rights that have not been waived, pursuant to the provisions of section 311 of the *Companies Act*.

4. Common Characteristics of the Increases in Capital

The amount of each of the Increases in Capital shall be the amount resulting from multiplying: (a) the nominal value of each share of 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 4.1 below, on the date of each of the Implementations (the new shares of the Company issued by way of implementation of each of the Increases in Capital shall be collectively referred to as the "New Shares", and each one, individually, as a "New Share").

Both Increases in Capital shall be carried out, if at all, by means of the issuance and flotation, on their respective dates of implementation, of the New Shares, which shall 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 shall 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, shall 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 shall be issued at par, i.e. at their nominal value of seventy-five euro cents, without a share premium, and shall be allocated without charge to the shareholders of the Company who have opted for this remuneration alternative.

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, a shareholder 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 shall be increased by the corresponding amount. For these purposes, it shall be deemed that those who have chosen to receive their remuneration in cash by means of collecting the Dividend in question with respect to all or part of their shares expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares, upon the terms and conditions set forth herein.

4.1 New Shares to Be Issued in each of the Increases in Capital

The maximum number of New Shares to be issued in each of the Increases in Capital shall 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 items number seven and eight on the agenda (i.e. 1,310 and 1,140 million euros, respectively).

For its part, "**ListPri**" shall 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, rounded to the closest one-thousandth part of one euro.

Furthermore, "**Cash Remuneration**" shall mean the gross amount per share resulting from the application of the following formula:

$$\text{Cash Remuneration} = \text{ListPri} / (\text{Num. rights} + 1)$$

The Cash Remuneration shall be equal to: (a) the amount of the Supplementary Dividend per Share in the case of the First Implementation; (b) the amount of the Interim Dividend per Share in the case of the Second Implementation; or (c) if compliance with the requirements of section 277 of the *Companies Act* is not verified in the Second Implementation, the Fixed Purchase Price per free-of-charge allocation right.

4.2 Free-of-charge Allocation Rights

In each of the Increases in Capital, each outstanding share of the Company shall 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 shall 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 4.1 above. Specifically, the holders of free-of-charge allocation rights shall be entitled to receive one New Share for the number of free-of-charge allocation rights held by them, which shall be determined as provided in section 4.1 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) shall 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 shall 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 clearing and settlement rules from time to time in effect.

The free-of-charge allocation rights shall 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 shall 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. Notwithstanding the foregoing, the free-of-charge allocation rights acquired on the market during the trading period established for this purpose shall not give the acquiring party the right to choose to receive the corresponding Dividend. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market, or alternatively receive the new bonus shares to which they are entitled.

Therefore, during the trading period for the free-of-charge allocation rights, subject to any other terms and conditions established by the Board of Directors, with express power of substitution, the holders of the free-of-charge allocation rights may choose between:

- (a) receiving their remuneration in bonus shares of the Company, in which case, at the end of the trading period they shall be allocated the New Shares to which they are entitled pursuant to the terms and conditions of the implementation of the Increase in Capital in question;
- (b) transferring all or part of their free-of-charge allocation rights on the market, in which case the consideration that the holders of the free-of-charge allocation rights will receive for the sale thereof will depend on the listing price of said rights; or
- (c) only during the Common Election Period determined by the Board of Directors (with express power of substitution), receiving their remuneration in cash by collecting the corresponding Dividend, for which purpose the shareholders shall be required to make an express election in this regard. The shareholders may choose to receive the Dividend in question with respect to all or part of their shares.

In this case, it shall be deemed that those choosing to receive their remuneration in cash with respect to all or part of their shares expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares and the ability to transfer them on the market. To this end, the participants in "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal" (IBERCLEAR) will block said free-of-charge allocation rights, which may not be transferred on the market and which shall automatically expire at the end of the trading period, without the holders thereof being entitled to receive New Shares.

As mentioned above, the free-of-charge allocation rights acquired on the market during the trading period established for this purpose shall not give the acquiring parties the right to choose to receive the Dividend. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market, or alternatively receive the new bonus shares to which they are entitled.

Based on their preferences and needs, the Company's shareholders may combine any of the alternatives mentioned in paragraphs (a) through (c) above with respect to different groups of shares that each of them own.

4.3 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 2017, 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 shall 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, shall 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.

4.4 Representation of the New Shares

The New Shares shall 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 participants.

4.5 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 shall grant the holders thereof the same financial, voting and like rights as the ordinary shares of the Company then outstanding.

4.6 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 shall 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 shall be deposited with Banco de España or with Caja General de Depósitos at the disposal of the interested parties.

4.7 Application for Admission to Trading

The Company shall 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 shall 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 those that apply to the application for trading and, in such event, the interests of the shareholders opposing or not voting on the resolution to remove shall be safeguarded, in compliance with the requirements set out in applicable law at such time.

5. Implementation of the New "Iberdrola Flexible Remuneration" System. Implementations

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 each of the Implementations must be carried out 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 Implementations and the amount of the Supplementary Dividend per Share).

Furthermore, it is expected that prior to 31 December 2018, the Board of Directors will determine the Interim Dividend per Share to be paid for purposes of the Second Implementation as well as the other conditions applicable to the Interim Dividend, pursuant to the provisions of section 277 of the *Companies Act*. To this end, and in accordance with the provisions of section 161 of the *Companies Act*, the shareholders acting at this General Shareholders' Meeting hereby instruct the Board of Directors, if the requirements established in section 277 of the *Companies Act* are met, to approve the distribution of the Interim Dividend and set the terms and conditions applicable to the corresponding Dividend Payment, all in order to carry out the Second Implementation.

Notwithstanding the foregoing, if the Board of Directors, with express power of substitution, does not deem it advisable to carry out one or both Implementations, in whole or in part, within the aforementioned period, it may refrain from doing so, with the duty to inform the shareholders thereof at the next General Shareholders' Meeting.

Specifically, the Board of Directors, with express power of substitution, shall 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 carry out one or both Implementations, it may refrain from doing so. In addition, the resolutions of the shareholders at this General Shareholders' Meeting relating to the Supplementary Dividend and to the Increases in Capital shall be deprived of any and all effect in the event that the Board of Directors does not exercise the powers delegated thereto, or in the case of the Second Implementation, does not approve the distribution of the Interim Dividend or honour the Purchase Commitment (if the requirements of section 277 of the *Companies Act* are not met) within a 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 shall 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 participants, are the holders of free-of-charge allocation rights in the proportion resulting from section 4 above due to not having waived them upon the terms set forth above.

- (b) The period for trading the free-of-charge allocation rights shall 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 shall be formalised on the books in the respective amount, with which appropriation the Increase in Capital will be paid up.
- (c) The Company shall pay the Supplementary Dividend or the Interim Dividend (or, if the requirements of section 277 of the *Companies Act* are not met within the framework of the Second Implementation, the Fixed Purchase Price), as applicable, to the shareholders that have expressly chosen to receive it within the period and subject to the terms and conditions determined for these purposes by the Board of Directors, pursuant to the provisions of section 2 above.

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, shall 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).

6. Delegation to Carry Out Each of the Implementations

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 Implementations must be carried out, which shall in any case be within a period of one year from the approval of this resolution, and to determine the specific schedule for each of the Implementations.
- (b) As regards each of the Implementations, to set the Amount of the Option, the amount of the Supplementary Dividend per Share (in the case of the First Implementation), the number of New Shares, the number of free-of-charge allocation rights necessary for the allocation of one New Share and the Cash Remuneration, 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 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 Implementations, and sign all required contracts and documents for such purpose. In particular, to appoint the entity that must act as paying agent in each of the Dividend Payments.
- (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) As regards each of the Implementations, to set the specific duration of the Common Election Period and the terms and conditions under which the shareholders may state their preferences regarding the receipt of their remuneration (in cash or in New Shares).
- (g) After the Common Election Period for each Implementation, to determine the aggregate gross amount in euros corresponding to the Dividend Payment in question and to make payment thereof through the participants in "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal" (IBERCLEAR).
- (h) To declare the Increases in Capital to be closed and implemented, for such purpose setting 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 rescind the resolution on distribution of the corresponding Dividend with respect to the amounts that were not distributed to those shareholders who elected (expressly or implicitly) to receive New Shares.
- (j) In the case of the First Implementation, to determine the aggregate total amount to be distributed as a dividend with a charge to the results for the financial year ended 31 December 2017 pursuant to the provisions of item number six on the agenda and, in view of said amount, specify the amount of the total basis for distribution established in said item on the agenda to be allocated to remainder.

- (k) 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.
- (l) 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.
- (m) If the Purchase Commitment must be honoured within the framework of the Second Implementation due to the requirements of section 277 of the *Companies Act* for the distribution of the Interim Dividend not having been met, to determine the acquisition by the Company of the corresponding free-of-charge allocation rights, set the period of time during which the Purchase Commitment will be in effect (within the limits established in these resolutions), honour the Purchase Commitment by paying the corresponding amounts to the shareholders who have accepted said commitment, waive the free-of-charge allocation rights owned by the company at the end of the trading period of the Second Implementation as a result of the Purchase Commitment, and thus the New Shares corresponding to such rights, and take any other measures or actions needed to fully honour the Purchase Commitment.
- (n) 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.
- (o) 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, supplementation, or correction of defects or omissions that might prevent or hinder the full effectiveness of the foregoing resolutions.

7. Sample Calculation relating to the First Implementation

Set out below, solely for purposes of facilitating an understanding of the application hereof, is a sample calculation, in the case of the First Implementation, of the maximum number of new shares to be issued in the increase in capital submitted for the approval of the shareholders at the General Shareholders' Meeting under item number seven on the agenda, of the maximum nominal value of such increase, of the number of free-of-charge allocation rights required for the allocation of one new share and of the Cash Remuneration (which is equal to the Supplementary Dividend).

The results of these calculations are not representative of those that might be obtained, which, in the case of the First Implementation, will depend on the different variables used in the formulas (basically, the listing price of Iberdrola shares at that time (ListPri) and the Amount of the Option, as determined by the Board of Directors (with express power of substitution) in exercise of the power delegated by the shareholders at the General Shareholders' Meeting).

Solely for the purposes of this example:

- The Amount of the Option is 1,179 million euros.
- The TNShrs. is 6,240,000,000¹.
- A ListPri of 6.046 euros is assumed (solely for the purposes of this example, the listing price of the Iberdrola shares at the closing of the trading session of 15 February 2018 has been used as a reference).

Therefore:

Provisional number of shares = Amount of the Option / ListPri	$1,179,000,000 / 6.046 = 195,004,961.958320 = 195,004,961$ shares (rounded downwards)
Num. rights = TNShrs. / Provisional number of shares	$6,240,000,000 / 195,004,961 = 31.999185907890809 = 32$ rights (rounded upwards)
NNS = TNShrs. / Num. rights	$6,240,000,000 / 32 = 195,000,000$
Cash Remuneration = ListPri / (Num. rights + 1)	$6.046 / (32 + 1) = 0.183$ euros

¹ For purposes of this example, it is assumed that this would be the total number of shares of the Company outstanding after the implementation of the reduction in capital provided for in the resolution corresponding to item number 8 on the agenda if it is implemented in the total maximum amount thereof (i.e. 198,374,000 shares).

	(rounded to the closest thousandth of one euro)
--	---

Therefore:

- (i) The maximum number of shares to be issued in the First Implementation would be 195,000,000.
- (ii) The maximum nominal amount of the increase in capital submitted for approval of the shareholders at the General Shareholders' Meeting under item number seven on the agenda would be 146,250,000.00 euros (195,000,000 x 0.75).
- (iii) 32 free-of-charge allocation rights (or old shares) would be necessary for the allocation of one new share.²
- (iv) In this example, the Supplementary Dividend would be equal to 0.183 euros (gross) per share (amount equal to the Cash Remuneration).

ITEM NUMBER NINE ON THE AGENDA

Approval of a reduction in share capital by means of the retirement of a maximum of 198,374,000 own shares (3.08% of the share capital).

RESOLUTION

1. Reduction in Capital by means of the Retirement of Both Currently Existing Own Shares in Treasury and of Own Shares to Be Acquired through the Settlement of Derivatives Acquired prior to the Formulation of this Proposed Resolution 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. 74,272,523.25 euros, through the retirement of 99,030,031 currently existing own shares in treasury as at 19 February 2018, 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 74,507,976.75 euros, of the own shares of the Company, each with a nominal value of seventy-five euro cents, up to a limit of 99,343,969 own shares (the "**Overall Limit**"), that are acquired for their retirement both through the settlement, no later than 15 June 2018, of the derivatives acquired by the Company prior to 20 February 2018 as well as under the programme for the buy-back of up to 99,343,969 own shares that will be in effect until no later than 15 June 2018, approved by the Board of Directors on 20 February 2018 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 of 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 on market abuse 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**") shall be 148,780,500 euros, through the retirement of a maximum of 198,374,000 own shares, each with a nominal value of seventy-five euro cents, representing not more than 3.08% of the share capital at the time this resolution is approved.

As set out below, the final amount of the Reduction in Capital will be set by the Company's Board of Directors (with express power of substitution) depending upon the final number of shares acquired as a result of both the settlement of the derivatives acquired by the Company prior to 20 February 2018 and within the framework of the Buy-back Programme, provided they do not exceed the Overall Limit. Otherwise, there will be a retirement of all of the shares acquired pursuant to the Buy-back Programme as well as of the number of shares acquired as a result of the settlement of the derivatives acquired by the Company prior to 20 February 2018 equal to the difference between the Overall Limit and the shares acquired in implementation of the Buy-back Programme, and the remaining treasury shares will not be retired.

² In this example, the Company (or an entity of its group that holds shares of the Company) would not be required to waive any free-of-charge allocation rights corresponding to own shares in order for the number of shares to be issued to be an integer.

2. Procedure for the 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 20 February 2018, the Company may acquire a maximum number of 99,343,969 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 1.543 % 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, and if approved, in the authorisation in replacement thereof approved by the shareholders at this General Shareholders' Meeting under item number twelve on the agenda.

As provided in the aforementioned resolution of the Board of Directors, the own shares shall 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 on market abuse 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 99,343,969 own shares, each with a nominal value of seventy-five euro cents, both through the settlement, no later than 15 June 2018, of the derivatives acquired by the Company prior to 20 February 2018 as well as under the Buy-back Programme, it shall 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 sum of the shares effectively acquired pursuant to the settlement, no later than 15 June 2018, of the derivatives acquired by the Company prior to 20 February 2018 and within the framework of the Buy-back Programme.

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 shall 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 power 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 power 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 on market abuse 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 of "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal" (IBERCLEAR).
 - (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 TEN ON THE AGENDA

Consultative vote regarding the *Annual Director Remuneration Report* for financial year 2017.

RESOLUTION

To approve, on a consultative basis, the *Annual Director Remuneration Report* for financial year 2017, 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 ELEVEN ON THE AGENDA

Approval of a new *Director Remuneration Policy*.

RESOLUTION

To approve the Director Remuneration Policy, the full text of which, together with the required report of the Remuneration Committee, are included in the report of the Board of Directors made available to the shareholders as part of the documentation relating to the General Shareholders' Meeting from the date of publication of the announcement of the call to meeting.

ITEM NUMBER TWELVE ON THE AGENDA

Approval for the Board of Directors to acquire own shares.

RESOLUTION

To expressly authorise the Board of Directors, with express power of substitution, pursuant to the provisions of section 146 of the *Companies Act*, for the derivative acquisition of shares of IBERDROLA, S.A. (the "Company") under the following conditions:

- (a) The acquisitions may be made directly by the Company or indirectly through its subsidiaries upon the same terms as those provided for in this resolution. Subsidiaries that perform regulated activities pursuant to the provisions of *Law 24/2013 of 26 December on the Electricity Industry* and *Law 34/1988 of 7 October on the Hydrocarbon Industry* are excluded from this authorisation.
- (b) The acquisitions shall be made through purchase/sale, swap or any other transaction allowed by law.
- (c) The acquisitions may be made from time to time up to the maximum amount allowed by law.
- (d) The acquisitions may not be made at a price above the market price or below the par value of the shares.
- (e) This authorisation is granted for a period of five years from the adoption of this resolution.
- (f) As a result of the acquisition of shares, including those that the Company or person acting in their own name but on behalf of the Company has previously acquired and holds in treasury, the resulting shareholders' equity may not be reduced below the amount of share capital plus legal or bylaw-mandated restricted reserves, all pursuant to the provisions of letter b) of section 146.1 of the *Companies Act*.

It is expressly stated for the record that the shares acquired as a result of this authorisation may be used for sale or retirement as well as for application of the remuneration systems contemplated in the third paragraph of letter a) of section 146.1 of the *Companies Act*, and also to the development of programmes fostering participation in the capital of the Company, including dividend reinvestment plans, loyalty bonds or other similar instruments.

This resolution revokes and deprives of effect, to the extent of the unused amount, the authorisation for the derivative acquisition of own shares given to the Board of Directors by the shareholders at the General Shareholders' Meeting held on 28 March 2014.

ITEM NUMBER THIRTEEN 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) 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.
- (d) 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.