

General Shareholders' Meeting / 2016

REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE *BY- LAWS*



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REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF IBERDROLA, S.A. REGARDING THE PROPOSED AMENDMENTS OF THE BY-LAWS INCLUDED IN ITEM TEN OF THE AGENDA FOR THE GENERAL SHAREHOLDERS' MEETING CALLED TO BE HELD ON 8 AND 9 APRIL 2016, ON FIRST AND SECOND CALL, RESPECTIVELY

1. Purpose of the Report

This report has been prepared by the Board of Directors of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**") pursuant to the provisions of section 286 of the *Companies Act*, in order to provide a rationale for the proposed amendments of the *By-Laws* included in item 10 –sections A, B, and C– of the agenda.

Pursuant to the aforementioned section, the Board of Directors prepares this report explaining the purpose of and rationale for the proposed by-law amendments, attaching such proposals below.

In addition, in order to provide the shareholders with a clear view of the scope of the amendment and a comparison between the new text of the articles proposed to be amended and the text currently in effect, attached to this report as an Annex is a verbatim transcription of both texts organised in a two-column table, for information purposes. The text contained in the right-hand column shows the changes proposed to be made to the text currently in force, which is contained in the left-hand column.

2. Purpose of and Rationale for the Proposals

2.1 Introduction

Iberdrola has always set itself apart from the other companies in its environment due to its leadership in the area of corporate governance.

In order to reach and cement this position, it has systematically developed a strategy for review and ongoing improvement of its Corporate Governance System, i.e. its internal system of rules configured in accordance with applicable law in the exercise of corporate autonomy supported thereby and which applies to the group of companies of which Iberdrola is the controlling entity, within the meaning established by law (the "**Group**").

During financial years 2014 and 2015, the Company undertook an ambitious reform of its Corporate Governance System with a primary focus on the shareholders: their rights were strengthened, their guarantees were enhanced, and a strong regulatory framework was created in order to encourage their participation in Iberdrola and, ultimately, to foster their engagement in the life of the Company. Such reform culminated with the by-law amendments approved by the shareholders at the General Shareholders' Meeting held in 2015.

Since then, the Company has continued working on the improvement of its Corporate Governance System with a view to finding a response to the numerous corporate governance challenges raised by the Group's call for leadership, the continuous internationalisation of its activities, and its increasingly significant role in the life of groups that are growing each day in size and diversity: its stakeholders.

Iberdrola is fully aware of its importance as a business, institutional, and social reality, and it cannot ignore, nor does it want to ignore, the challenges posed by its position as the controlling entity of one of the leading global groups in the electricity industry. The responsibilities arising from this reality extend beyond the strictly economic field and fully expand into the social arena.



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Along these lines, the efforts implemented by Iberdrola's Board of Directors since the General Shareholders' Meeting held in 2015 have been channelled into reflecting upon the relations that the Company and the Group should maintain with all of their stakeholders, beyond the shareholders and the financial community, namely, their workforce, regulatory entities, their customers, their suppliers, the media, society in general, and the environment, among others.

Specifically, in October 2015 the Board of Directors carried out an in-depth review of the Group's mission, vision, and values to better conform them to a complex business group that has a desire for leadership in all areas of activity (not only in the economic field but also and especially in the social field), under a new approach that focuses on the creation of value in a sustainable manner and lays emphasis on the social impact of its activities.

The content of the new mission, vision, and values of the Group has been included in a new rule that is part of the Corporate Governance System: the *Mission, Vision, and Values of the Iberdrola group*, which reflects the corporate philosophy of the Group, inspires and takes form in the *Corporate Policies* and in the other rules of the Corporate Governance System, governs the day-to-day activities of all companies of the Group, and guides their strategy and all of their actions.

As will be explained below, the formal inclusion in the *By-Laws* of the Company's commitment to the *Mission, Vision, and Values of the Iberdrola group* and the review of its relations with the stakeholders are the two focal points of the amendments proposed.

In summary, this amendment is one more step along Iberdrola's strategy of dialogue and engagement with all relevant groups with a view to the success of its business enterprise, which cannot be complete if the Company does not take into account and does not strive to satisfy the legitimate interests and the expectations of its stakeholders.

2.2 Purpose of the Proposals

Within the framework of the foregoing, the main purpose of the proposed by-law amendments submitted to the shareholders for approval at the General Shareholders' Meeting is to formalise in the Company's foundational document its commitment to the *Mission, Vision, and Values of the Iberdrola group*, to social return, corporate values, and ethical principles, as well as its broad conception of the corporate interest and its framework for relations with its stakeholders, grounded in the engagement and recognition of all legitimate interests, by adopting a policy on relations with them based on two-way communication and on principles of transparency, active listening, and equal treatment.

Moreover, the reform seeks to highlight the features that make up Iberdrola's identity, update the regulation of the Group affecting the special framework for strengthened autonomy of its listed companies after the completion of the merger of UIL Holdings Corporation, which has resulted in the public listing on the New York Stock Exchange of Avangrid, Inc., the Group's country subholding company in the United States.

Finally, other improvements are introduced that are primarily of a technical nature, such as those aimed at reflecting the separation of the Appointments and Remuneration committees in March 2015, in line with recommendations and best practices in the area of corporate governance.

2.3 Structure of the Proposed Amendments

Inasmuch as the same changes affect several articles, the proposed amendments have been grouped into three independent blocks for voting purposes in order to facilitate the proper exercise of shareholders' voting rights, pursuant to the provisions of section 197 *bis* of the *Companies Act* and article 40.1 of the *Regulations for the General Shareholders' Meeting*:

- A) The first block groups together the articles included in the new preliminary title proposed to be created (articles 2, 3, 4, 6, 7, 8, and 9), as well as the amendment of article 32.
- B) The second block refers to the amendment of article 12 and to the reorganisation of title I and the chapters of which it is comprised.



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- C) The third block includes the changes aimed at reflecting the separation of the Appointments and Remuneration committees and at making other technical improvements, which affect articles 34, 37, 38, 39, 40, 41, 42, 43, 44, and 45.

Below is a description of the main amendments submitted to the shareholders for approval at the General Shareholders' Meeting, grouped in accordance with the three voting blocks set forth above:

2.4 New Preliminary Title and Amendment of Article 32

First, it is proposed to include a new Preliminary Title comprising those articles that set out the main features of the Company's identity.

Thus, the first provisions to be included would be those defining what Iberdrola is: the articles on company name, its registered office (–in Bilbao, Biscay–), its duration and date of incorporation (–1901–), and its nature as the holding company of a multinational group of companies.

The foregoing is followed by the articles that establish the purposes and goals pursued by Iberdrola: the object of the Company (–the text of which is not amended–), its concept of corporate interest, as well as its corporate values and ethical principles.

The new Preliminary Title finishes with those provisions that establish the foundations for the regulatory framework governing the Company (–the article on applicable legal provisions and Corporate Governance System–) and how it relates to its environment (–the regulation of relations with stakeholders, presence on the Internet, and social media–).

Specifically, it is proposed to amend the current article 5 (which becomes the new article 3), on duration of the Company, to include an express reference to the date on which the Company's deed of incorporation was formalised.

In the current article 7 (which becomes the new article 4) it is proposed to make a number of amendments to update the text thereof after the completion of the merger of UIL Holdings Corporation, which has resulted in the public listing on the New York Stock Exchange of Avangrid, Inc., the Group's country subholding company in the United States. Along these lines, it is proposed to include a reference to the special framework for strengthened autonomy of the listed companies of the Group, which ensures the protection of the interests of minority shareholders and which are currently laid out in detail in the *Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation*–.

It is also proposed to include a reference to the Group's non-energy head of business company ("Iberdrola Participaciones, S.A. (Sociedad Unipersonal)"), which currently groups together the head of business companies for the engineering and construction business and the real estate business, the activities of which are carried out in several countries (unlike those of the energy head of business companies).

Finally, the proposed reform of the Group's *By-Laws* includes a reference to the existence of a corporate interest and of corporate values that are common to all of the companies within the Group.

The text of article 4 (which becomes article 5), concerning the object of the Company, remains unchanged.

The new articles 6 and 7 contain the main changes proposed and illustrate the primary purpose of the by-law amendment:

The text of the new article 6 seeks to broaden the concept of the Company's corporate interest, retaining the reference to the common interest of all shareholders of an independent company and focusing on the Company's commitment to the creation of sustainable value and on the *Mission, Vision, and Values of the Iberdrola group* as a guiding rule laying the groundwork for the fulfilment of Iberdrola's interest.



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The proposed text of the new article 7 sets forth the Company's commitment to the *Mission, Vision, and Values of the Iberdrola group*, emphasising its role as the rule that must govern the day-to-day activities of all companies of the Group, as well as its corporate values: the creation of sustainable value, ethical principles, transparency and good corporate governance, the development of human resources, social commitment, a sense of belonging, safety and reliability, quality, innovation, protection of the environment, customer focus, and institutional loyalty.

In article 8, it is proposed to modify the definition of the Corporate Governance System to include among its rules the *Mission, Vision, and Values of the Iberdrola group* approved by the Company's Board of Directors, and to make other technical improvements to the text.

It is also proposed to include a new article 9 as the last provision of the new Preliminary Title, which replaces the former article that governed the corporate website.

Such article lays the foundations for Iberdrola's stakeholder relations –which must be based on two-way communication with the stakeholders and must be guided by principles of transparency, active listening, and equal treatment– for the regulation and operation of the corporate website of the Company and of the other companies of the Group, and for the Group's presence on social media.

Consistently with the changes made in the new articles 7 and 9, it is proposed to amend article 32, which governs the powers of the Board of Directors, in order to give it the power to approve the *Mission, Vision, and Values of the Iberdrola group* and to make other improvements in the text to specify the scope of its powers in accordance with the update of the *Corporate Policies*.

2.5 Amendment of the Current Title I

Taking into account the creation of the new Preliminary Title, it is proposed to amend Title I such that it is limited to the regulation of the share capital and of the shareholders (articles 10 to 14), amending the chapters into which such title is divided, such that articles 10 and 11 become a part of the new Chapter I (called "Share Capital and Shares") and articles 12, 13, and 14 form a part of the new Chapter II (called "Shareholders").

In addition, it is proposed to amend the text of article 12 in order to highlight the notion that the shareholders participate indirectly in the other companies of the Group, a notion that has become increasingly significant as Iberdrola has moved toward the model of a holding company.

2.6 Amendment of Articles 34, 37, 38, 39, 40, 41, 42, 43, 44, and 45

In March 2015, the Board of Directors of Iberdrola resolved to split the then-called Appointments and Remuneration Committee into an Appointments Committee and a Remuneration Committee in order to comply with recommendation number 48 of the *Good Governance Code of Listed Companies*, which provides that large cap companies should have separate nomination and remuneration committees, and in line with best corporate governance practices.

This third block of amendments includes those that seek to conform the by-law rules to this separation, as well as other improvements that are primarily of a technical nature.

Specifically, in each of the articles proposed to be amended, the purpose of the changes is to replace the references to the Appointments and Remuneration Committee with specific references to one or the other committee, as appropriate, while providing for the possibility that in the future, if considered appropriate, such committees may be consolidated again without the need for a new by-law amendment.

Other technical or textual improvements have also been made in the aforementioned articles; including the amendments of articles 38 and 42, intended to provide for the possibility that the lead independent director (*consejero coordinador*) take over the duties of the chairman (in the absence thereof and of the vice-chairs) and to conform the



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rules on succession of the chairman to the plan established for such purpose in the *General Corporate Governance Policy*.

3. Proposed Resolutions Submitted to the Shareholders for Approval at the General Shareholders' Meeting

The proposed resolutions submitted to the shareholders for approval at the General Shareholders' Meeting read as follows:

ITEM NUMBER TEN ON THE AGENDA

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

RESOLUTIONS

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

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

“Article 2. Registered Office

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

Article 3. Duration

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

Article 4. The Iberdrola Group

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



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

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

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

- c) *Finally, the head of business companies of the Group are in charge of the day-to-day administration and effective management of each of the Group's businesses within one or more countries, and of the day-to-day control thereof.*
3. *All companies of the Group share the same corporate interest as well as identical corporate values and ethical principles.*

Article 6. Corporate Interest

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

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

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

Article 8. Applicable Legal Provisions and Corporate Governance System

1. *The Company is governed by the legal provisions relating to listed companies and other applicable laws and regulations, as well as by its Corporate Governance System.*
2. *The Corporate Governance System is the Company's internal system of rules, which is configured in accordance with applicable law in the exercise of corporate autonomy supported thereby and applies to the entire Group. It is intended to ensure through rule-making the best development of the corporate object of the Company and the fulfilment of the corporate interest.*
3. *The Corporate Governance System is made up of these By-Laws, the Mission, Vision, and Values of the Iberdrola group, the Corporate Policies, the internal corporate governance rules, which include the Regulations for the*



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General Shareholders' Meeting, the Regulations of the Board of Directors and those of its consultative committees, and of the other internal codes and procedures approved by the competent decision-making bodies of the Company.

4. *Full or summarised versions of the rules making up the Corporate Governance System can be viewed on the Company's corporate website.*
5. *The shareholders acting at a General Shareholders' Meeting and the Board of Directors of the Company, within their respective purview, develop, apply, and interpret the rules making up the Corporate Governance System in order to ensure compliance at all times with the purposes thereof and, particularly, the fulfilment of the corporate interest.*

Article 9. Stakeholder Relations, Corporate Websites, and Presence on Social Media

1. *The Company and the other entities belonging to the Group seek to engage all stakeholders in its business enterprise in accordance with a policy on relations with all of them based on two-way communication and on principles of transparency, active listening, and equal treatment, which allows for all of their legitimate interests to be taken into consideration and to effectively disclose information regarding the activities and businesses of the Group. The Company's Board of Directors is responsible for approving this policy and coordinating and supervising the application thereof.*
2. *The Company's corporate website, its presence on social media, and its digital communication strategy generally are channels of communication serving the stakeholder relations policy. The ultimate goal thereof is to encourage the stakeholders' engagement, reinforce their sense of belonging, strengthen the Iberdrola brand, and favour the development of the businesses of the Group and the digital transformation thereof.*
3. *The Board of Directors shall promote the use of the corporate website to facilitate the exercise of the shareholders' rights to receive information and to participate in connection with the General Shareholders' Meeting and the corporate governance of the Company, upon the terms provided by law and the Corporate Governance System.*
4. *The corporate websites and the presence on social media of the country subholding companies and of the head of business companies contribute to the Company's digital communication strategy and are one of the principal means for engaging their respective stakeholders. The structure and content thereof shall conform to the Company's stakeholder relations policy and to the general guidelines approved by its Board of Directors.*
5. *All companies of the Group shall promote the accessibility of their respective corporate websites.*

Article 32. Powers of the Board of Directors

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



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

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

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

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

"Article 12. Shareholder Status

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

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

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

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

"Article 34. Types of Directors

1. *Those directors who perform management duties within the Company or its Group, whatever the legal relationship they maintain, shall be deemed executive directors.*
2. *All other directors of the Company, whether proprietary, independent, or other external, shall be deemed non-executive directors:*



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- a) *Proprietary directors: those directors who own a shareholding interest that is equal to or greater than that legally regarded as significant at any time, or who have been appointed owing to their status as shareholders, even if their shareholding interest does not reach such amount, as well as those representing the shareholders described above. However, if any of such directors at the same time performs management duties within the Company or the Group, such director shall be deemed an executive director.*
- b) *Independent directors: those directors who, having been appointed because of their personal and professional qualities, may carry out their duties without being constrained by relationships with the Company or its Group, its significant shareholders, its officers, or the other directors. Directors who have been independent directors for a continuous period of more than twelve years cannot be deemed to be independent directors.*
- c) *Other external directors: those non-executive directors who do not have the characteristics to be deemed proprietary or independent directors.*

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

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

Article 37. Committees of the Board of Directors

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

Article 38. Executive Committee

1. *If created, the Executive Committee shall have all the powers inherent to the Board of Directors, except for those powers that may not be delegated pursuant to law or the Corporate Governance System.*
2. *The Executive Committee shall be composed of the number of directors decided by the Board of Directors upon a proposal of the Appointments Committee, with a minimum of four and a maximum of eight.*



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3. *The appointment of the members of the Executive Committee and the delegation of powers thereto shall be carried out by the Board of Directors with the favourable vote of at least two-thirds of the members thereof. The renewal thereof shall be carried out at the time and in the form and numbers decided by the Board of Directors with such majority.*
4. *The chairman of the Board of Directors and the chief executive officers shall in all cases form part of the Executive Committee.*
5. *Meetings of the Executive Committee shall be chaired by the chairman of the Board of Directors, and in the absence thereof, by one of the vice-chairs who are members of the Executive Committee, if any, or by the lead independent director (consejero coordinador), if a member of the Executive Committee. In the absence of all of the foregoing, they shall be chaired by the director member of the Executive Committee having the longest length of service in office, and if equal lengths of service, by the oldest. The secretary of the Board of Directors or, in the absence thereof, any of the deputy secretaries or, in the absence of all of them, the director that the Executive Committee appoints from among its members in attendance shall serve as secretary.*
6. *Resolutions of the Executive Committee shall be adopted by an absolute majority of votes cast in person or by proxy. In the event of a tie, the chair of the Executive Committee shall have the tie-breaking vote.*

Article 39. Audit and Risk Supervision Committee

1. *The Board of Directors shall create a permanent Audit and Risk Supervision Committee, an internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action.*
2. *The Audit and Risk Supervision Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee from among the non-executive directors who are not members of the Executive Committee. A majority of such directors shall be independent.*
3. *The Board of Directors shall appoint a chair of the Audit and Risk Supervision Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director. The chair of the Audit and Risk Supervision Committee shall hold office for a maximum period of four years, after which period the chair may not be re-elected until the passage of at least one year from ceasing to act as such, without prejudice to the continuance or re-election thereof as a member of the committee.*
4. *The Audit and Risk Supervision Committee shall have the powers set forth in the Regulations of the Board of Directors and in its own regulations and in any event those established by law, except for that of reporting on related-party transactions, which power is assigned to the Appointments Committee.*

Article 40. Appointments Committee and Remuneration Committee

1. *The Board of Directors shall create a permanent Appointments Committee and a permanent Remuneration Committee (or a single Appointments and Remuneration Committee, in which case reference in these By-Laws to the Appointments Committee and the Remuneration Committee shall be deemed made to the same committee), which shall be internal informational and consultative bodies without executive duties, with information, advisory, and proposal-making powers within their respective scopes of action.*
2. *The Appointments Committee and the Remuneration Committee shall each be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors, and the majority of their respective members must be classified as independent.*



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3. *The Board of Directors shall appoint the chairs of both committees from among the independent directors forming part of each of them, as well as their secretaries, who need not be directors.*
4. *The Appointments Committee and the Remuneration Committee shall have the powers set forth in the Regulations of the Board of Directors and in their own regulations and in any event those established by law as well as those corresponding to each of them due to the nature thereof.*

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

Article 41. Corporate Social Responsibility Committee

1. *If created, the Corporate Social Responsibility Committee shall be deemed an internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action.*
2. *The Corporate Social Responsibility Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors, and the majority thereof must be classified as independent.*
3. *The Board of Directors shall appoint a chair of the Corporate Social Responsibility Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director.*
4. *The Corporate Social Responsibility Committee shall have the powers set forth in the Regulations of the Board of Directors and in its own regulations.*

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

1. *The Board of Directors, following a report from the Appointments Committee, shall appoint a chairman from among its members. The Board of Directors may also appoint one or more honorary chairs of the Company.*
2. *The chairman of the Board of Directors shall have the status of president of the Company and of chair of all of the corporate decision-making bodies of which the chairman is a member, which he shall permanently represent with the broadest powers, having the duty to carry out the resolutions thereof and being authorised in urgent cases to adopt such measures as the chairman deems advisable in furtherance of the corporate interest.*
3. *The chairman of the Board of Directors undertakes the senior management and representation of the Company, as well as leadership of the Board of Directors.*
4. *The chairman of the Board of Directors exercises the powers conferred upon him by law and the Corporate Governance System, and particularly the following:*
 - a) *To call and preside over meetings of the Board of Directors and the Executive Committee, setting the agenda for the meetings and directing the discussion and debate.*
 - b) *To chair the General Shareholders' Meeting and exercise thereat the duties attributed thereto by the Corporate Governance System.*
 - c) *To bring to the Board of Directors those proposals that the chairman deems appropriate for the efficient running of the Company, particularly those corresponding to the operation of the Board of Directors itself and other governance decision-making bodies, as well as to propose the persons, if any, who will hold office as vice-chair, chief executive officer, secretary and deputy secretary of the Board of Directors and of the committees thereof, without prejudice to the reporting powers belonging to the Appointments Committee.*



REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE BY-LAWS

- d) *To ensure, with the collaboration of the secretary of the Board of Directors, that the directors receive in advance information sufficient to deliberate on the items on the agenda.*
 - e) *To stimulate the debate and active participation of the directors during meetings, safeguarding their freedom to take positions.*
5. *The Board of Directors, upon a proposal of its chairman and after a report from the Appointments Committee, may elect from among its members one or more vice-chairs who shall temporarily replace the chairman of the Board of Directors in the event of vacancy, absence, illness, or disqualification.*
 6. *If there is more than one vice-chair of the Board of Directors, the one that is expressly appointed by the Board of Directors for such purpose shall replace the chairman of the Board of Directors; in default of the foregoing, the vice-chair having the longest length of service in office; in case of equal lengths of service, the oldest. If a vice-chair has not been appointed, the chairman shall be replaced by the lead independent director; in the absence thereof, by the director with the longest length of service in office, and in case of equal lengths, by the oldest.*
 7. *If the chairman must be replaced on a definitive basis due to removal, notice of resignation, disability, or death, the preceding sections shall apply and the vice-chair or director appointed as a provisional replacement shall lead the process for electing a new chairman, in accordance with the succession plan approved by the Board of Directors.*
 8. *The same procedure shall be followed to decide the removal of a vice-chair.*

Article 43. Chief Executive Officer

1. *The Board of Directors, upon a proposal of the chairman thereof, after a report from the Appointments Committee and with the favourable vote of at least two-thirds of the directors, may appoint one or more chief executive officers (consejeros delegados) with the powers it deems appropriate and which may be delegated pursuant to law and the Corporate Governance System.*
2. *In the event of vacancy, absence, illness, or disqualification of all of the chief executive officers, the duties entrusted thereto shall be temporarily assumed by the chairman of the Board of Directors or, in the absence thereof, by the vice-chair or director designated in accordance with the provisions of section 6 of the preceding article, who shall call a meeting of the Board of Directors to deliberate and decide upon the appointment, if appropriate, of one or more new chief executive officers.*

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

1. *The Board of Directors, upon a proposal of the chairman thereof and after a report from the Appointments Committee, shall appoint a secretary, who need not be a director, and, if appropriate, one or more deputy secretaries, who also need not be directors, and who shall replace the secretary in the event of vacancy, absence, illness, or disqualification. The same procedure shall be followed to decide the removal of the secretary and, if applicable, each deputy secretary.*
2. *If there is more than one deputy secretary, the secretary of the Board of Directors shall be replaced by the corresponding one among them in accordance with the order established at the time of their appointment. In the absence of a secretary and deputy secretaries, the director that the Board of Directors itself appoints from among the attendees at the meeting in question shall serve as such.*
3. *The secretary of the Board of Directors shall perform the duties assigned thereto by law and the Corporate Governance System.*



REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE BY-LAWS

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

Article 45. Checks and Balances System: Lead Independent Director

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

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

* * *

Bilbao, 23 February 2016



REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE BY-LAWS

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

BY-LAWS

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

Chapter I. General Provisions

Article 6. Registered Office

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

Article 5. Duration

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

Article 7. The Iberdrola Group

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

BY-LAWS

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

Chapter I. General Provisions

Article ~~6.2~~ Registered Office

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

Article ~~5.3~~ Duration

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

Article ~~7.4~~ The Iberdrola Group

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



REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE BY-LAWS

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

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

Article 4. Object of the Company

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

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

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

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

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

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

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

Article ~~4~~5. Object of the Company

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



REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE BY-LAWS

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

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

Article 3. Corporate Interest and Ethical Principles

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

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

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

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

Article ~~3-6~~ Corporate Interest ~~and Ethical Principles~~

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

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

Article 7. Social Return, Corporate Values, and Ethical



REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE BY-LAWS

Principles

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

Article 2. Applicable Legal Provisions and Corporate Governance System

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

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

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 that~~ applies to the entire group of companies controlled by the Company Group. It is intended to ensure through rule-making the best development of the corporate object of the Company, ~~as an international business entity that operates in quite varied economic, legal, and social contexts, as well~~



REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE BY-LAWS

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

Article 9. Corporate Website

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

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

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

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



REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE BY-LAWS

account the provisions of the preceding section;

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

Article 8. Permanent Contact with Shareholders and Transparency

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

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

2. The Company's corporate website, its presence on social media, and its digital communication strategy generally are channels of communication serving the stakeholder relations policy. The ultimate goal thereof is to encourage the stakeholders' engagement, reinforce their sense of belonging, strengthen the Iberdrola brand, and favour the development of the businesses of the Group and the digital transformation thereof.
3. The Board of Directors shall promote the use of the corporate website to facilitate the exercise of the shareholders' rights to receive information and to participate in connection with the General Shareholders' Meeting and the corporate governance of the Company, upon the terms provided by law and the Corporate Governance System.
4. The corporate websites and the presence on social media of the country subholding companies and of the head of business companies contribute to the Company's digital communication strategy and are one of the principal means for engaging their respective stakeholders. The structure and content thereof shall conform to the Company's stakeholder relations policy and to the general guidelines approved by its Board of Directors.
5. All companies of the Group shall promote the accessibility of their respective corporate websites.

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

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



REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE BY-LAWS

Chapter II. Share Capital and Shares

Article 11. The Shares

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

Article 12. Shareholder Status

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

Article 13. Involvement of the Shareholders

The Company shall foster continuous and appropriate

TITLE I. SHARE CAPITAL AND SHAREHOLDERS

Chapter III. Share Capital and Shares

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Chapter II. Shareholders

Article 12. Shareholder Status

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

Article 13. Involvement of the Shareholders

The Company shall foster continuous and appropriate



REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE BY-LAWS

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

Article 14. The Shareholders and the Corporate Governance System

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

Article 32. Powers of the Board of Directors

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

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

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



REPORT OF THE BOARD OF DIRECTORS REGARDING THE AMENDMENT OF THE BY-LAWS

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

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

Article 34. Types of Directors

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

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

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

Article 34. Types of Directors

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



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executive director.

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

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

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

Article 37. Committees of the Board of Directors

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

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

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

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

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

Article 37. Committees of the Board of Directors

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



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

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

Article 38. Executive Committee

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

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

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

Article 38. Executive Committee

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



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

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

Article 39. Audit and Risk Supervision Committee

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

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

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

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

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

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

Article 39. Audit and Risk Supervision Committee

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

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

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

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



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Article 40. Appointments and Remuneration Committee

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

Article 41. Corporate Social Responsibility Committee

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

Remuneration Committee.

Article 40. Appointments Committee and Remuneration Committee

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

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

Article 41. Corporate Social Responsibility Committee

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



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

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

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

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

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

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



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



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

Article 43. Chief Executive Officer

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

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

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

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

lengths, by the oldest.

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

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

Article 43. Chief Executive Officer

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

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

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

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



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

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

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

Article 45. Checks and Balances System: the Lead Director

1. The Corporate Governance System shall provide the measures necessary to ensure that neither the chairman of the Board of Directors, nor the Executive Committee, nor the chief executive officers have a decision-making power that is not subject to appropriate checks and balances.

2. The Board of Directors shall adopt the measures necessary to ensure that both the chairman of the Board of Directors and the Executive Committee and the chief executive officers are under its effective supervision.

3. The appointment of an executive director as chairman of the Board of Directors shall require the favourable vote of at least two-thirds of the directors.

4. If the chairman of the Board of Directors has the status of executive director, the Board of Directors, upon a proposal of the Appointments and Remuneration Committee and with the abstention of the executive directors, must necessarily appoint from among the independent directors a lead director (*consejero coordinador*), who shall be especially empowered, when the lead director deems it appropriate, to:

secretary.

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

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

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

Article 45. Checks and Balances System: Lead Independent Director

1. The Corporate Governance System shall provide the measures necessary to ensure that neither the chairman of the Board of Directors, nor the Executive Committee, nor the chief executive officers have a decision-making power that is not subject to appropriate checks and balances.

2. The Board of Directors shall adopt the measures necessary to ensure that both the chairman of the Board of Directors and the Executive Committee and the chief executive officers are under its effective supervision.

3. The appointment of an executive director as chairman of the Board of Directors shall require the favourable vote of at least two-thirds of the directors.

4. If the chairman of the Board of Directors has the status of executive director, the Board of Directors, upon a proposal of the Appointments ~~and~~ **Remuneration** Committee and with the abstention of the executive directors, must necessarily appoint from among the independent directors a lead independent director (*consejero coordinador*), who shall be especially empowered, when the lead independent director deems it appropriate, to:



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- | | |
|---|---|
| <ul style="list-style-type: none"> a) Ask the chairman of the Board of Directors to call a meeting thereof and to participate with the chairman in the planning of the annual schedule of meetings. b) Participate in the preparation of the agenda for each meeting of the Board of Directors and request the inclusion of matters on the agenda for meetings of the Board of Directors that have already been called. c) Coordinate, meet with, and reflect the concerns of the non-executive directors. d) Direct the periodic evaluation of the chairman of the Board of Directors and lead any process for the succession thereof. <p>5. The lead director may also maintain contacts with shareholders when so decided by the Board of Directors.</p> | <ul style="list-style-type: none"> e) Ask the chairman of the Board of Directors to call a meeting thereof and to participate with the chairman in the planning of the annual schedule of meetings. f) Participate in the preparation of the agenda for each meeting of the Board of Directors and request the inclusion of matters on the agenda for meetings of the Board of Directors that have already been called. g) Coordinate, meet with, and reflect the concerns of the non-executive directors. h) Direct the periodic evaluation of the chairman of the Board of Directors and lead any process for the succession thereof. <p>5. The lead independent director may also maintain contacts with shareholders when so decided by the Board of Directors.</p> |
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