

# General Shareholders' Meeting / 2016

## APPOINTMENTS COMMITTEE

February 19, 2016

## Report on related-party transactions with directors and significant shareholders



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### REPORT BY THE APPOINTMENTS COMMITTEE OF IBERDROLA, S.A. IN RELATION TO THE RELATED-PARTY TRANSACTIONS WITH DIRECTORS AND SIGNIFICANT SHAREHOLDERS ANALYZED DURING FISCAL YEAR 2015, PREPARED FOR THE GENERAL SHAREHOLDERS' MEETING

#### 1. Purpose of the report

In accordance with section 6 of the General Corporate Governance Policy of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**") and paragraph d) of article 7 of the Appointments Committee Regulations, on occasion of the call of the General Shareholders' Meeting, the Company must make available to the shareholders a report drawn up by the Appointments Committee (the "**Committee**") on the transactions on which it has reported in the preceding fiscal year, carried out by the Company or by the companies belonging to its group, with the directors or with shareholders that own shareholdings that have the legal classification of significant at any given time, or who have proposed the appointment of any of the directors of the Company, or with their respective related persons.

The Committee has prepared this report pursuant to the provisions of the Corporate Governance Policy mentioned previously, on occasion of the General Shareholders' Meeting which is scheduled to be called shortly. During fiscal year 2015, the Committee reported on three transactions carried out by companies belonging to the group, the parent of which, as defined by the law, is Iberdrola (the "**Group**"), on the following terms.

#### 2. Sale of the shares representing 50 % of the capital stock of Norapex, S.A. to Grupo de Empresas CajaSur, S.A. (Sole-Shareholder Company), a company related to the significant shareholder KUTXABANK, S.A.

At the meeting held on January 19, 2015, the Committee analyzed the transaction consisting of the sale by Iberdrola Inmobiliaria, S.A. (Sole-Shareholder Company) ("**Iberdrola Inmobiliaria**") of the shares representing 50 % of the capital stock of Norapex, S.A. ("**Norapex**") to Grupo de Empresas CajaSur, S.A. (Sole-Shareholder Company) ("**Grupo de Empresas CajaSur**"), owner of the shares representing the other 50 % and related to KUTXABANK, S.A., significant shareholder of Iberdrola.

The sale was carried out in the context of the dissolution and liquidation of Norapex, which was subject to grounds for mandatory dissolution due to having negative equity. The sale price was one euro.

Moreover, Iberdrola Inmobiliaria agreed to contribute 50 % of the funds necessary to maintain the activity of Norapex until its dissolution and liquidation are formalized, with a limit of €600,000.

In accordance with article 43 of the *Board of Directors' Regulations* and article 12.1 of the *Procedures for conflicts of interest and related-party transactions with directors, significant shareholders and senior managers*, as Grupo de Empresas CajaSur is a company belonging to the group headed by KUTXABANK S.A., a significant shareholder of Iberdrola, that sale and purchase of shares in Norapex was deemed a related-party transaction.

After analyzing that transaction, the Committee concluded that the transaction had been carried out on reasonable, arm's length conditions, giving a favorable report.

#### 3. Subcontracting of Seaplace, S.L., a company related to the director Mr. Manuel Moreu Munaiz

At the meeting held on March 4, 2015, the Committee analyzed the transaction consisting of the subcontracting by Iberdrola Renovables Energía, S.A. (Sole-Shareholder Company) ("**Iberdrola Renovables**") of "Seaplace, S.L." ("**Seaplace**"), a company related to Mr. Manuel Moreu Munaiz, director of Iberdrola, to carry out certain engineering works in relation to the ATEMPO project.



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ATEMPO is a research project awarded to Iberdrola Renovables by Universidad de La Coruña for the preliminary design of a vessel to support the offshore assembly of wind generator structures.

Furthermore, Seaplace is a naval engineering firm specialized in naval construction and offshore industry with more than 30 years' experience and numerous national and international projects carried out with leading companies in the sector.

The subcontract was awarded on arm's length conditions, considering Seaplace as an appropriate subcontractor in view of its experience, the work carried out previously in relation to the ATEMPO project and the years of previous collaboration with Iberdrola, and the price offered by Seaplace was lower than the reference range provided by Iberdrola's Purchasing Director. The subcontract amount was €70,000.

In accordance with articles 43 of the *Board of Directors' Regulations* and article 12.1 of the *Procedures for conflicts of interest and related-party transactions with directors, significant shareholders and senior managers*, as Seaplace is a company controlled by Mr. Manuel Moreu Munaiz, director of Iberdrola, that subcontracting was deemed a related-party transaction.

After analyzing that transaction, the Committee concluded that the transaction had been carried out on market conditions, giving a favorable report.

#### 4. Contracting of Soil Tratamiento de Aguas Industriales, S.L. (Sole-Shareholder Company), a company related to the director Mr. Iñigo Víctor de Oriol Ibarra

At the meeting held on June 16, 2015, the Committee analyzed the amount billed by Soil Tratamiento de Aguas Industriales, S.L. (Sole-Shareholder Company) ("**Soil Tratamiento**"), a company related to Mr. Iñigo Víctor de Oriol Ibarra, to Iberdrola Cogeneración Ramos, S.A. de C.V. ("**Iberdrola Cogeneración Ramos**"), a company belonging to the Group, pursuant to a supply, transport, assembly and start-up agreement that had already been reported on favorably by the Committee at its meeting held on December 1, 2014.

During fiscal year 2014, Soil Tratamiento did not bill any amount for the work carried out in relation to that agreement.

However, during fiscal year 2015, the amounts billed by Soil Tratamiento under that agreement, to Iberdrola Cogeneración Ramos represented a significant amount, taking into account Soil Tratamiento's billings in the last fiscal year.

The Committee focused its analysis on determining the implications which that could have in relation to Mr. Iñigo Víctor de Oriol Ibarra's consideration as an independent director of Iberdrola, with respect to the provisions of subarticle 4.e) of article 529 *duodecies* of the Corporate Enterprises Law.

After making that analysis, the Committee concluded that it was necessary to review the category in which the director related to Soil Tratamiento, Mr. Iñigo Víctor de Oriol Ibarra, should be classified, proposing his reclassification as "other external" director.

